CSFB.2024-25/214 **August 07, 2024**

BSE Limited
Listing Compliance
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Maharashtra

National Stock Exchange of India Limited
The Listing Department,
Exchange Plaza,
Bandra Kurla Complex,
Mumbai - 400 051
Maharashtra

Scrip Code: 544120, 951995 & 953739

Symbol: CAPITALSFB

Subject: Annual Report for the FY 2023-24

Dear Sir/Madam,

Pursuant to SEBI (LODR) Regulations, 2015, please find enclosed herewith Annual Report for the financial year 2023-24, the same is available on the website of the Company i.e. www.capitalbank.co.in.

The Schedule of 25th AGM of the company is as under: -

Event	Date	Time (IST)
Cut-off date to determine eligible members for voting on AGM Resolution(s)	Friday, 23rd August, 2024	NA
Commencement of E-Voting	Tuesday, 27th August, 2024	09:00 AM
End of E-voting	Thursday, 29th August, 2024	05:00 PM
Annual General Meeting	Friday, 30th August, 2024	11:00 AM

This is for your information and record.

Thanking you,

Yours Truly,

For Capital Small Finance Bank Limited

AMIT SHARMA

Digitally signed by AMIT SHARMA
DN: c=IN, o=Personal, postalCode=141010, l=Ludhiana, st=Punjab, street=HOUSE NO 30 JAPPAN COLONY JAMALPUR NEAR AHLUWALIA COLONY FOCAL POINT LUDHIANA PUNJAB-141010, 2.5.4.20=756cfd4636506c4a5ae0f297db5ff869f7c90f9c4c6efee2deaf9f1de92ae166, serialNumber=714e67af2c56cb3a137a0e626667dd2dc0ee0473e2d5176e0d59599960 4af844, email=amitsharmasgnr@gmail.com, cn=AMIT SHARMA
Date: 2024.08.07 18:18:44 +05'30'

Amit Sharma
Company Secretary
FCS10888

Capital Small Finance Bank

A PROMISING Start towards a BRIGHTER future



Capital Small Finance Bank

Annual Report **2023-24**

A Promising Start towards
A BRIGHTER FUTURE

At Capital Small Finance Bank (Capital SFB or CSFB), our journey is defined by our commitment to fostering financial inclusion and creating positive societal impact. As India's first small finance bank (SFB), we have consistently progressed towards providing tailored financial solutions to meet the diverse needs of our customers.

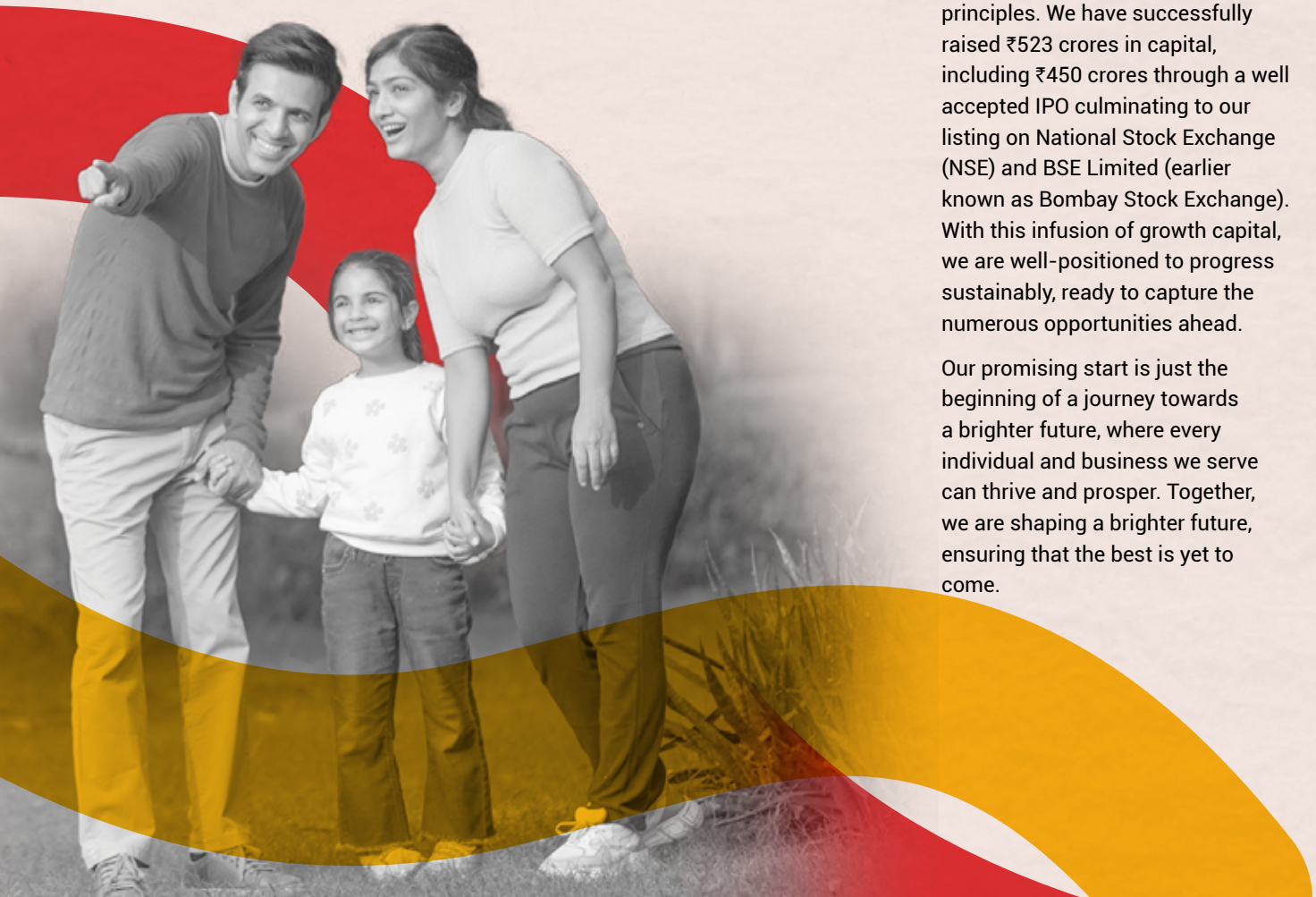
The Bank offers a comprehensive range of banking products across both the asset and liability sides. Since transitioning to an SFB, we have demonstrated robust performance, achieving a 5-year CAGR of 19% in gross advances, 15% in deposits, and an impressive 42% in PAT between FY19 and FY24. Additionally, since the transition, we have grown from 47 branches to 177 branches, now spanning across five North Indian states—Punjab, Haryana, Rajasthan, Delhi, and Himachal Pradesh—as well as the Union Territory of Chandigarh. This success has established a strong foundation for accelerated growth.

We believe true progress is achieved by blending innovation with tradition. Our efforts to integrate cutting-edge technology with personalised banking services ensure that we meet the evolving needs of our customers. This also helps us in maintaining trust and reliability that have always been our hallmark. By offering a suite of products, from secured loans to digital banking solutions, we provide our customers with the tools they need to achieve their financial aspirations.

Looking to the future, our vision is clear: to be the primary banker for our customers, helping them navigate their financial journeys with confidence and ease. We focus on achieving this goal through diverse product offerings, customer service orientation, deeply entrenched physical branch network and evolving digital channels. As we continue to expand our footprint across North India, our focus remains on empowering the middle-income group and bridging the gap between formal banking services and underserved segments.

Capital SFB stands at the cusp of a new era, guided by our foundational principles. We have successfully raised ₹523 crores in capital, including ₹450 crores through a well accepted IPO culminating to our listing on National Stock Exchange (NSE) and BSE Limited (earlier known as Bombay Stock Exchange). With this infusion of growth capital, we are well-positioned to progress sustainably, ready to capture the numerous opportunities ahead.

Our promising start is just the beginning of a journey towards a brighter future, where every individual and business we serve can thrive and prosper. Together, we are shaping a brighter future, ensuring that the best is yet to come.



Across the PAGES

Corporate Overview 02-67

FY24 Key Highlights	02
Local Roots, Expanding Horizons, Going Public	03
Advancing with Purpose, Building for Tomorrow	04
Bridging Gaps with Diverse Offerings	08
Letter from the Managing Director	14
From the Executive Director's Desk	18
Building on Strengths: Paving the way Forward	22
Leveraging Our Strength as a Retail-Focussed Liability Franchise	24
Moving on a Promising and Sturdy Growth Trajectory	26
Leveraging the Strengths of a Professional and Experienced Leadership	30
Upholding Our Promise to Customer Satisfaction	36
Promising Streamlined Credit Assessment and Risk Management	40
Ensuring a Secured and Diversified Advances Portfolio	42
Guiding Strategies for Excellence	44
Shaping Organic Loan Book Growth and Secured Lending	46
Elevating Our Liability Franchise	48
Building Brand Loyalty for a Brighter Future	50
Strengthening Operational and Profitability Metrics	52
Promising Digital Empowerment for our Customers	54
Moving Towards a Greener Future	56
Driving Social Change and a Promising Future	58
Steering towards Excellence and a Promising Tomorrow	62
Nurturing Trust and Transparency	64
Awards and Recognitions	66
Corporate Information	67

Statutory Reports 68-157

Management Discussion and Analysis	68
Board's Report	88
Corporate Governance Report	115

Financial Statements 158-219

Independent Auditor's Report	159
Balance Sheet	166
Profit And Loss Account	167
Cash Flow Statement	168
Schedules forming Part of the Financial Statements	169
Basel II Pillar 3 Disclosure	219

For more investor-related information, please visit

https://www.capitalbank.co.in/investors

Or simply scan:

Investor Information

CIN:
L65110PB1999PLC022634

BSE Code:
544120

NSE Symbol:
CAPITALSFB

Dividend:
12%

AGM Date:
August 30, 2024

AGM Mode:
Video Conference/Other Audio-Visual Means

Disclaimer: This document contains statements about expected future events and financials of Capital Small Finance Bank ('Capital SFB,' 'We,' 'The Bank,'), which are forward looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions, and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

FY24 KEY HIGHLIGHTS

Gross Advances

₹6,160 crores

+19%^ CAGR
+12% YoY

Deposits

₹7,478 crores

+15%^ CAGR
+14% YoY

Asset Quality

2.8%/1.4%

GNPA/NNPA

ROA

1.3%

2.5x

Since FY19

ROE

14.6%

1.8x

Since FY19

CRAR

27.4%

Core CRAR 22.8%

Profit After Tax

₹112 crores (FY24)

₹28 crores (Q4FY24)

+42%^ CAGR
+19% YoY
+16% QoQ

CASA Ratio

38.3%

Collection Efficiency

98.3%

Disbursements

₹2,068 crores (FY24)

₹676 crores (Q4 FY24)

+76% QoQ

Retail Deposit Ratio

92.9%

Branch Network

177 Branches

Across 5 States and 1 Union Territory

^All CAGR for FY19-FY24

Local Roots, Expanding Horizons, GOING PUBLIC

Birth (2000): Local Area Bank

Local Roots

Capital Local Area Bank began, journey in 2000, dedicated to providing essential banking services to local communities. We served as India's largest local area bank for 16 years, focusing on delivering all financial needs under single roof to small businesses and individuals, fostering economic growth at the grassroots level with special emphasis on rural and semi urban areas.

New Avatar (2016): Small Finance Bank

Expanding Horizons

On April 24, 2016, Capital Local Area Bank transitioned into Capital Small Finance Bank. With the Small Finance Bank license from the Reserve Bank of India (RBI), we expanded our offerings to include a wider range of financial products and services. This change enabled us to better serve the underserved and unbanked populations, promoting financial inclusion catering to middle income group segment.

Re-energized (2024): Public Listing

Going Public

February 14, 2024 marked a significant milestone as Capital Small Finance Bank went public, listing on the stock exchanges. This step provided us with access to growth capital for fast pace expansion and brighter future. The public listing signifies a new phase of development, enhancing the Bank's visibility and credibility in the financial sector.



Advancing with Purpose, BUILDING FOR TOMORROW

Headquartered in Jalandhar, Punjab, Capital Small Finance Bank ('Capital SFB,' 'We,' 'The Bank') commenced operations as India's first small finance bank (SFB) in April 2016, following a conversion from Capital Local Area Bank. It was then the country's largest local area bank since January 14, 2000. Focussed on building a retail-oriented banking franchise, the Bank is committed to providing middle-income customers with access to affordable credit. This will help in solidifying our position as one of the leading SFBs of India.

Key Differentiators

1 Targeted Market Segment

Focuses on the middle-income group, with a strong emphasis on rural and semi-urban areas.

2 Diverse Loan Portfolio

Ensuring a well diversified loan portfolio while prioritising income generating loans.

3 Retail Centric Liability Base

Retail driven granular deposit base, with high CASA and low-cost deposit.

4 Comprehensive Product Range

Offers a wide array of asset and liability products, including third-party services.

5 Sector-Specific Focus

Addresses agricultural needs, supports micro, small, and medium-sized enterprises (MSMEs), and provides tailored solutions for trading and mortgages, particularly housing loans.

6 Sturdy Performance and Robust Asset Quality

Demonstrates exceptional growth and maintains industry leading asset quality.

7 Operational Excellence

Upholds a consistent emphasis on secured lending, robust customer engagement, structured underwriting practices, and rigorous credit assessment.

8 Risk Management and Leveraging Technology

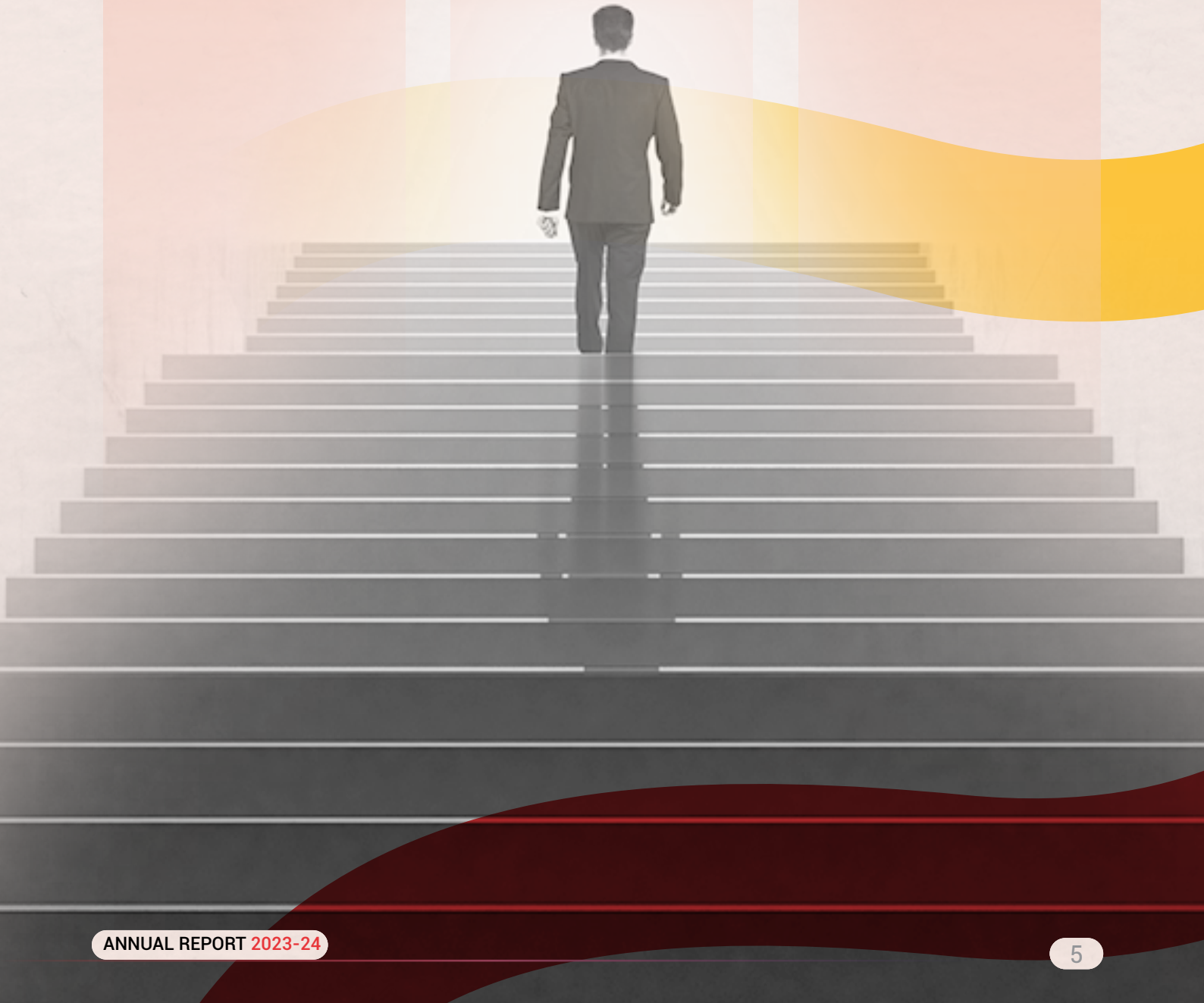
Implements robust risk management strategies and leverages technology to enhance digital payment methods and customer communication.

Vision

To provide superior banking service, focused on customers' needs.

To contribute to the economic development of the area through innovative ideas, technology and new products.

To maintain a long-lasting and trustworthy relationship with the local community.



Our Legacy

2000

- Capital Small Finance Local Area Bank incorporated
- Started operations in Jalandhar, Kapurthala, and Hoshiarpur as a local area bank

2011

- Total business of the Bank crossed ₹1,000 crores

2013

- Expanded operations to Ludhiana and Amritsar, expanding outreach to five districts

2016

- Launched operations as an SFB
- Total business of the Bank crossed ₹2,500 crores

2017

- Equity of ₹65 crores raised through private placement

2018

- Total number of branches of the Bank crossed 100

2019

- Total business of the Bank crossed ₹6,000 crores

2020

- Equity of ₹134 crores raised through private placement

2021

- The total number of customers of the Bank reached ~6 lakhs
- Total business of the Bank crossed ₹8,900 crores

2022

- Net profit of the Bank rose to ₹63 crores registering a growth of 53.42% over previous FY

2023

- Net profit of the Bank crossed ₹93 crores registering a growth of 50% over the previous FY with total business crossing the ₹12,000 crores mark
- Share of digital transactions in non-cash transactions increased to 81%

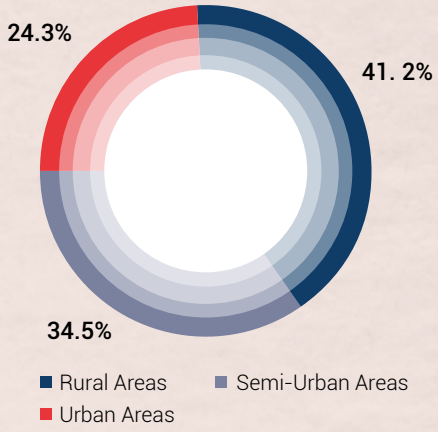
2024

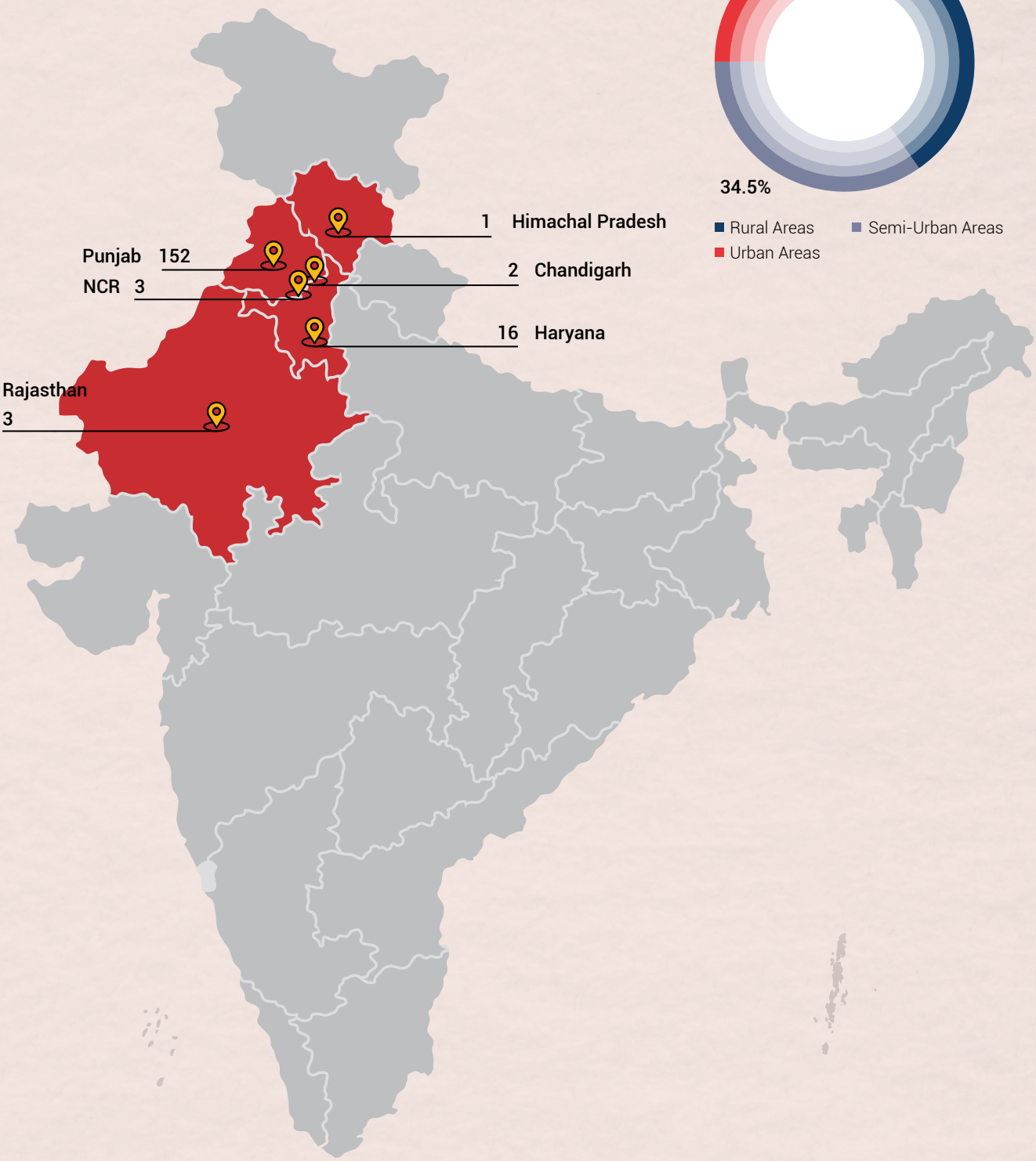
- Listing on NSE and BSE
- Net profit of the Bank crossed ₹100 crores

Contiguous Expansion in North India: We operate on a branch-based model with a significant presence in semi-urban and rural areas. Over the years, we have expanded our SFB operations strategically in the north Indian states of Punjab, Haryana, Rajasthan, Delhi, and Himachal Pradesh, as well as the union territory of Chandigarh. Herein, we offer our banking services in a contiguous manner. Transforming Haryana into our growth frontier, we aim for deep penetration in the existing markets, positioning ourselves as a leading SFB in India.

Geographical Mix

Rural-Urban Mix





6
States & UT*

38
Districts

177
Branches

179
ATMs

* represents Union Territory

Disclaimer: This map is a generalised illustration only for the ease of the reader to understand the locations and is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. The Company or any of its directors, officers or employees cannot be held responsible for any kind of misuse or misinterpretation of any information or design thereof.

Bridging Gaps with DIVERSE OFFERINGS

At Capital SFB, we provide a comprehensive suite of financial services tailored specifically for the middle-income segment. With over two decades of expertise, we uniquely blend asset and liability solutions to meet the distinct needs of our customers. Our in-depth understanding of this demographic enables us to offer personalised banking experiences, from secured lending to robust deposit products, ensuring financial growth and stability for our clients.

Loan Portfolio

Agricultural

Kisan Credit Card:
To meet short-term credit requirements of farmers for crop cultivation and funding of post-harvest expenses.

Agricultural Term Loan:
To meet long-term credit requirements of farmers which includes tractor loans, loan for agriculture equipment etc.

₹2,293.12
crores
Loan Book



MSME and Trading

Small and Medium Enterprises:
To provide traders/manufacturers, service enterprises funds for business expansion/purchase of machinery, equipment/ meet working capital requirements.

Commission Agent Financing:
To provide finance to commission agents against receivables in the shape of advances to farmers and loans against security of stock/debtors.

₹1,181.58
crores
Loan Book



Mortgage Lending

Housing Loans:
Construction, purchase, expansion of existing structures and for repairs/renovation of existing units.

Loans Against Property:
Setting-up of new businesses or expansion of existing business or domestic needs.



₹1,624.03
crores
Loan Book

Large Corporate Loans

Providing credit to large corporates including NBFCs and MFIs.



₹566.21
crores
Loan Book

Others

Auto Loans:
To finance two wheelers and four wheelers like scooters, cars, motorcycles etc.

Personal Loans:
To meet personal expenses e.g., travel, family events, medical expenses, educational expenses etc.

Gold Loans:
Scheme for consumption, domestic, and medical reasons.



₹494.85
crores
Loan Book

Deposit Portfolio

Savings A/C

Normal Savings A/C:
Offers hassle-free 24/7 access to funds via Internet and Mobile Banking, a low ₹500 minimum balance requirement, and added benefits of an ATM cum debit card, mobile banking, internet banking, and at par cheque book facility.

Capital Savings A/C:
Provides added advantages of ATM cum debit card, mobile banking, internet banking and at par cheque book facility.

Capital Saver Savings A/C:
Provides additional features of SMS Banking Facility and free personal accidental insurance in addition to the Normal and Capital Savings Accounts while maintaining a slightly higher quarterly average balance.

Capital Super Saver Savings A/C:
In addition to the benefits offered by a capital savings account, this account provides enhanced benefits on maintaining a quarterly average balance of ₹10,000.

Basic Savings Bank A/C (Suvidha Bachat):
Promotes financial inclusion to empower more communities, helping them to build financial resilience and achieve their goals.

Capital E-Savings A/C:
Offers digital convenience with online account opening, interest on savings, and banking via the Capital Mobile+ App.

₹2,607.38

crores

Savings Deposit Book



Current A/C

Normal Current A/C:
Offers basic banking services without minimum balance requirements or transaction limits, and is tailored to the needs of customers with small businesses.

Capital Current A/C:
Provides basic banking services without any transaction limits and is specifically designed to meet the needs of small businesses.

Capital Plus Current A/C:
Designed to suit the needs of SMEs, the minimum quarterly balance required for a capital plus current account is ₹50,000 in rural, semi-urban, urban, and metro areas.

Capital Premium Current A/C:
Designed for large businesses that want to take advantage of additional benefits by maintaining a higher quarterly average balance.

Capital Flexi A/C:
Available for all persons and entities eligible to open a current account. By maintaining a quarterly average balance of ₹50,000, they can earn interest on funds lying in their account through auto sweep in/out facility.

₹256.37

crores

Current Deposit Book



Term Deposits

Short-Term Deposit:
Offers simple interest and can be opened by any individual, group of individuals, firm, corporate, or club for a minimum period of 15 days and maximum of 364 days.

Cumulative Deposit:
Offers quarterly compounding interest and can be opened by any individual, group of individuals, firm, corporate, or club.

Quarterly Interest Deposit:
Enables to earn interest on savings on a quarterly basis without having to worry about the principal amount being impacted. This deposit can be opened for a minimum term of 12 months and a maximum term of 120 months.

Monthly Interest Deposit:
Offers monthly interest pay out option for term deposits and can be opened by any individual, group of individuals, firm, corporate, or club.

Tax Saver Accounts:
Offers certain benefits such as a minimum deposit amount as low as ₹100 and thereafter in multiples of ₹100, and can be availed by resident individuals and HUF.

Recurring Deposit:
Earns interest on a quarterly basis and can be opened for a minimum term of 12 months, with a maximum term of 120 months.

₹4,613.99

crores

Term Deposit Book



NRE/NRO Accounts

- Offers NRE/NRO deposits accounts to NRI's falling under the category as specified in FEMA
- Accounts may be held jointly with residents and/or with non-residents



Fee-Based Products

Insurance Products

Provides a range of insurance products, including traditional life insurance, term insurance, motor insurance, property insurance, personal accident insurance, health insurance and travel insurance. Earned insurance commission of ₹27 crore during FY24.



Remittances and Money Transfer Services

Provides customers with foreign remittance (AD II) and money remittance services in partnership with third-party service providers.



Safe Deposit Lockers

Provides safe deposit lockers to customers to store their valuables for a fee.



3-in-1 Demat and Trading Account

Provides resident customers facility to enjoy the benefits of 3-in-1 account having banking, demat, and trading feature for seamless transactions among them.



Other Services

Branches

177

Branches Across India

As on March 31, 2024

ATMs

179

ATMs Across India

As on March 31, 2024

ATM cum Debit Cards

- Offers classic debit card, classic business debit card, platinum debit card and platinum business debit cards
- All are RuPay branded and offer wide range of services to our customers

Internet Banking

- Offers a variety of internet banking services, allowing customers to conduct banking operations at any time, on any day and from anywhere in the world
- Internet-banking platform handles remittance services, such as, IMPS, NEFT, RTGS, IFT, bill payment, non-financial transaction facility, statement of account viewing and downloading facility, debit card management, flight and hotel book facility, NACH mandate management, positive pay, etc

Mobile Banking (Capital Mobile +)

Mobile banking services help customers maintain a virtual connection with the Bank always.

Mobile Passbook (Capital Mobile Connect)

We provide a mobile e-book application designed to offer our customers convenient access to their portfolios without the ability to conduct financial transactions.



Letter from the MANAGING DIRECTOR



Empowering Middle Income Segment's dreams through Strategic Focus for Sustainable Growth.

Dear Shareholders,

It is with immense pleasure that I present to you the inaugural Annual Report of Capital Small Finance Bank (CSFB) post listing. As we celebrate this milestone, I take the opportunity to extend my heartfelt gratitude to all our esteemed stakeholders—our loyal customers, distinguished Board of Directors, supportive bankers, shareholders, committed employees and our guiding force Reserve Bank of India. Each of you has played a pivotal role in our extraordinary journey, and your unwavering support and dedication have been instrumental in our achievements. For this, we are profoundly grateful.

Our strategy is founded on the principles of financial inclusion and sustainability, with the objective of empowering individuals and communities, especially in rural and semi-urban areas and in middle income group segment. We have made a positive difference in the lives of millions by offering access to banking services, encouraging entrepreneurship, and driving economic development.

Macroeconomic Environment

The global economic landscape has been marked by significant volatility and uncertainties, presenting challenges that have tested the resilience of nations and businesses alike. Economic activity remained strong during the global high inflationary environment of CY23. Growth in employment and incomes remained steady, bolstered by favourable demand and supply developments that supported major economies. This occurred despite rising central bank interest rates aimed at restoring price stability.

Several banks, including the European Central Bank and the Federal Reserve, raised their nominal interest rates as inflation and inflationary expectations began to rise. However, the effects of high policy rates are now visible across several economies. Fixed-rate mortgages are resetting, and the stock of pandemic savings—excess household savings accumulated beyond the pre-pandemic trend—has been declining in major advanced economies since 2022. Additionally, with inflation expectations falling, real policy rates are rising even in regions where central banks have not altered nominal rates. As a result, the Federal Reserve has kept its federal-funds rate target range at 5.25% to 5.5% since June 2023.

Replicating this trend, RBI's Monetary Policy Committee (MPC) decided to keep the repo rate unchanged at 6.5% for the 8th consecutive time. It also decided to maintain the policy stance of 'withdrawal of accommodation' in the monetary policy. As outlined in the April 3–April 5, 2024 bulletin, monetary policy will remain in 'risk-minimisation mode' to align inflation towards the target while supporting growth.

Despite the ongoing global economic headwinds affecting most leading economies, the nations in the Asia-Pacific region have emerged as a rare bright spot. Amidst this landscape, India emerges stronger than ever, as one of the fastest growing economy in the world. The strength and dynamism of India's economy remain indisputable. This is supported by a combination of robust policy and regulatory measures and the strong revival of the private sector. On the path of accelerated economic growth, the country is driven by major investments in manufacturing, new age industries, ongoing government spending, and improved efficiency from better digitalisation and infrastructure. India's growth trajectory and immense potential have captured the attention of global investors and stakeholders, positioning the country as a key player in shaping the global economic narrative.

As India continues its march towards greater economic prosperity, there is an increasing need for a more robust financial system. The future growth potential of the banking sector in India has created a very optimistic outlook for CSFB. We are well-positioned to benefit from the anticipated robust credit disbursal and capital investment cycle that will unfold as the balance sheets of the corporate and banking sectors strengthen. Our strategic initiatives are tailored to leverage these opportunities effectively. Our approach is multi-faceted, encompassing both expansion and innovation to meet the evolving needs of our diverse customer base.



Despite the ongoing global economic headwinds affecting most leading economies, the nations in the Asia-Pacific region have emerged as a rare bright spot. Amidst this landscape, India emerges stronger than ever, as one of the fastest growing economy in the world. The strength and dynamism of India's economy remain indisputable.

A Promising Start towards a Brighter Future

The emergence of small finance banks (SFBs) underlines the Government & Reserve Bank of India's commitment to promote financial inclusion nationwide. Small finance banks have played a crucial role in extending access to a wide range of financial products and services for previously underserved or excluded segments of the population. SFBs specialise in key areas such as small business loans (SBL), agriculture, MSME finance, vehicle finance, microfinance, and affordable housing loans. They have carved out a niche for themselves as providers of financial solutions tailored to the unique needs of the low-income, self-employed sector. In doing so, they are not only facilitating financial empowerment but also driving socio-economic progress across communities, one loan at a time.

At Capital SFB, we are passionately committed to partnering in the growth of the middle-income group segment with special impetus on rural and semi urban areas. We believe that everyone deserves the opportunity to achieve their financial goals, and strive to support our customers at every step of their journey. When we extend a loan to an individual, it goes beyond being just financial assistance. It acts as a catalyst for improving their livelihood and, by extension, their family's well-being. This financial empowerment often leads to the creation of employment opportunities, further benefitting the community. By enabling small businesses to thrive and supporting entrepreneurs, we contribute to the overall prosperity of the local ecosystem. This positive ripple effect amplifies our impact, as each loan we disburse nurtures a cycle of growth, resilience, and shared prosperity. This further reinforces our role as a pivotal player in fostering economic development and societal progress.

An important milestone in the history of our Bank was the Initial Public Offering (IPO) on February 14, 2024. We raised net fresh proceeds of ₹450 crores, significantly strengthening our Tier 1 capital. With this growth capital, we are confident in our ability to further scale our business. Our Bank has consistently delivered strong returns for all stakeholders, especially our investors. Given the robust Indian macroeconomic environment, the rising middle-income group, and the strong fundamentals and growth levers at our disposal, we are highly confident in achieving fast-paced, sustainable growth in the current growth cycle.

Coming to our asset-liability performance, our advances portfolio is both secured and diversified, designed to mitigate risk and maximise growth opportunities across multiple sectors. Our well-diversified loan portfolio comprises 37% towards agricultural, 26% towards mortgages, 19% for MSME, 8% for consumer lending, and 9% for NBFC lending. As of FY24, our portfolio stands out as one of the most diversified, showcasing our strong presence across multiple asset classes.

Our liability franchise is strongly retail-oriented, with retail deposits comprising 92.9% of our total deposits and maintaining a CASA ratio above 38%. We are driven by a customer-centric philosophy, aiming to be the primary banker for our target segment. Our comprehensive suite of loan, deposit, and third-party products is accessible through single-window service, even at our remote rural branches. This ensures seamless access to a wide range of financial solutions, enhancing our customers' banking experience and fostering long-term relationships.

Our streamlined credit assessment and risk management processes are designed to ensure the security of our advances. Our credit assessment matrix is based on the risk profile of borrowers and we employ a committee approach for large value exposures, maintaining prudent lending practices. In FY24, our GNPA stood at 2.76% and NNPA at 1.40% compared to 2.77% and 1.36%, respectively in FY23, reflecting our commitment to asset quality with almost near zero write offs.



Our credit assessment matrix is based on the risk profile of borrowers and we employ a committee approach for large value exposures, maintaining prudent lending practices.

We target to be the primary banker to our customers and endeavour to achieve this objective through a mix of (i) large suite of our product offerings; (ii) customer service orientation; (iii) deeply entrenched physical branch network; and (iv) evolving digital channels of service delivery.

Our experience as a local area bank for over 16 years provides us with a competitive edge in understanding and growing our customer base, which now exceeds 7,41,000 customers. This extensive experience allows us to continue delivering tailored financial solutions that meet the evolving needs of our customers.

Integrating Technology

Recognising the critical role of implementing technology in our operations, we have carried out substantial investments in building technology infrastructure. Additionally, we are utilising digital tools to enhance both our operations and the customer experience.

Our data analytics enable us to identify cross-selling opportunities, fostering effective customer engagement. We deepen customer engagement and interactions by utilising digital channels and analysing data-driven insights to offer customised solutions. We are also developing alternate digital channels to expand our reach.

At Capital SFB, we are dedicated to adapting to our clients' needs, building customer trust, and transforming the banking experience. Our goal is to enhance how banking services are accessed and experienced. We are achieving this by integrating physical and digital (phygital) channels and streamlining operations through advanced technology. Our strategy includes embracing new delivery channels like self-service portals and enhancing our existing channels such as ATMs, mobile banking, and internet banking. We aim to increase customer adoption of these channels, ensuring a seamless and efficient banking experience for all.

Commitment to ESG

The banking sector is evolving with an increasing focus on ESG practices. This trend is shaping banks' operations and influencing investors' decisions, making ESG a critical factor for sustainable banking. At Capital SFB, we actively prioritise ESG in our banking operations. We integrate ESG standards and objectives into our policies and priorities. This demonstrates our commitment to ESG consciousness. By exploring new avenues aligned with our ESG values, we aim to tap into the revenue potential of our ESG principles.

Way Forward

As we move forward, our primary objective is to drive accelerated growth through a contiguous branch expansion strategy, initially targeting major growth areas and then deepening our presence in surrounding territories. This approach ensures strategic market share capture and strong regional presence.



At Capital SFB, we are dedicated to adapting to our clients' needs, building customer trust, and transforming the banking experience. Our goal is to enhance how banking services are accessed and experienced. We are achieving this by integrating physical and digital (phygital) channels and streamlining operations through advanced technology.

Leveraging our growth capital, we aim for an accelerated growth in our secured loan portfolio across key segments like MSME, trading, mortgage, and agriculture. We plan to raise our CD ratio to the mid to high 80s by FY25, enhancing our net interest margin. Our focus on operational efficiencies, transforming branches into cash cows, and increasing fee income will further boost margins.

We will continue our organic growth model and expand alternate delivery channels, emphasising middle-income group opportunities for sustainable growth.

Closing Note

As we celebrate our achievements in an era of robust economic growth and transformative government reforms, we are poised to lead in empowering aspirations and driving India's economic progress.

I extend heartfelt gratitude to our invaluable stakeholders—the Reserve Bank of India, state governments, regulatory authorities, esteemed Board members, shareholders, cherished customers, and our dedicated workforce. Your unwavering support fuels our journey.

With a solid foundation and forward-looking strategies, we envision a future defined by innovation, inclusive growth, and sustainable development. Together, let's continue shaping a dynamic and prosperous tomorrow.

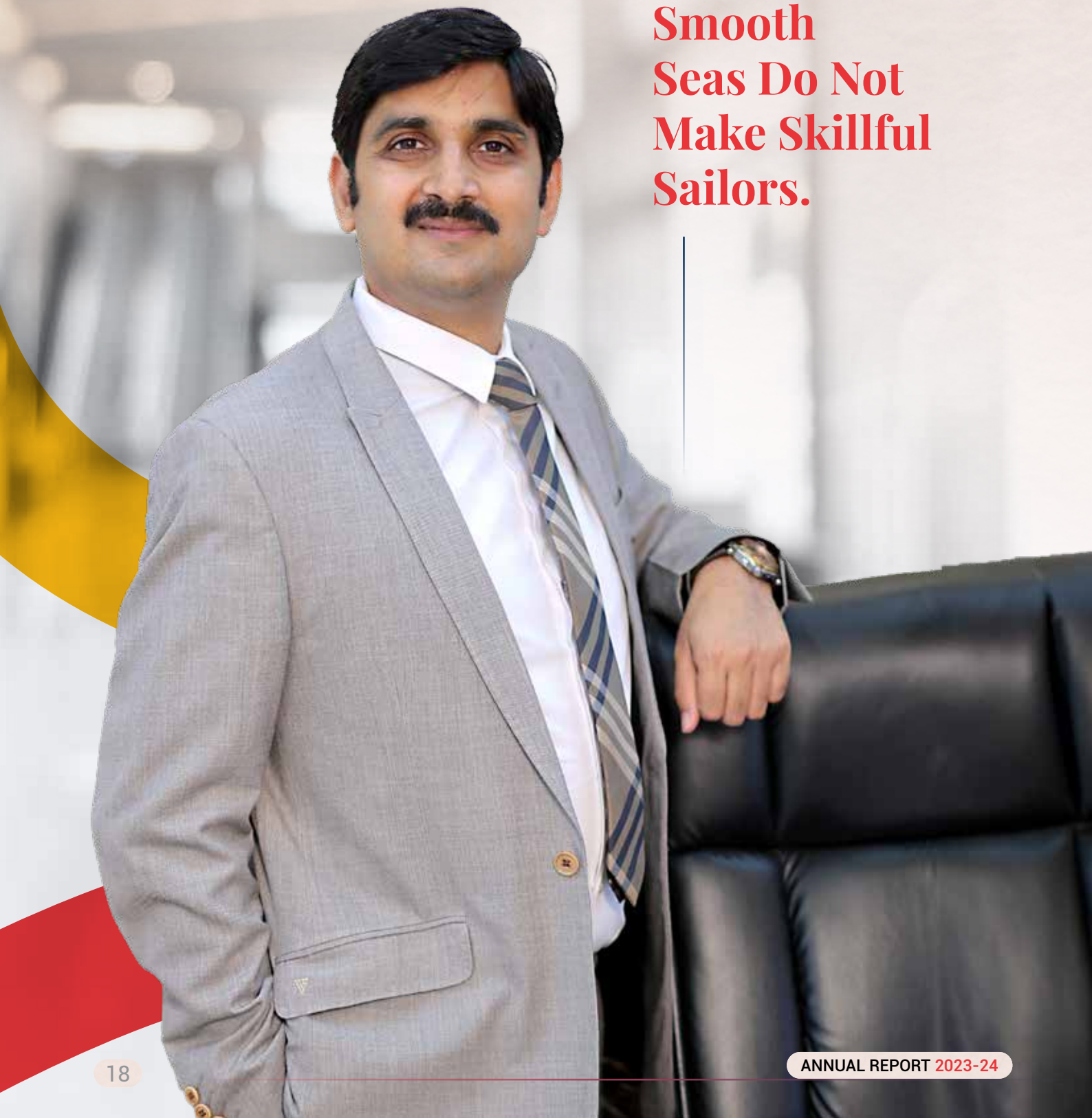
Thank you for your steadfast partnership.

With regards,

Sarvjit Singh Samra,
Managing Director and Chief Executive Officer

From the EXECUTIVE DIRECTOR'S DESK

Smooth Seas Do Not Make Skillful Sailors.



Dear Stakeholders,

I am delighted to once again connect with you through our annual report, a moment I always eagerly await. I trust this message finds you in good health and spirits, filled with resilience and vigour, much like our institution, which stands leaner and stronger today.

At the heart of our mission lies a commitment that extends far beyond our role as a lender or deposit sourcer. We aspire to empower our clients, bolster their confidence, and adeptly navigate the evolving landscape. This steadfast dedication not only secures a brighter future for them but also fortifies our Bank's foundation.

Our dedication to our foundational principles of providing security, building trust, compliance-orientation, and maintaining strong governance ecosystems has guided us through turbulent times. The achievements we celebrate this year are the culmination of the dedication of our talented team and the support of all stakeholders, including you, our valued shareholders.

Operating Environment

Our enthusiasm is grounded in India, a country that has become a worldwide case study for its resilience and spirit to resurge against all odds. The country remains enticing with its promising talent pool, strong domestic market, resilient supply chains, and the spirit of self-reliance. It also aims to become an ideal manufacturing destination for the world. Global enterprises are revising their strategic plans to include India, believing that the country will be a crucial lever driving their progress. Some have already set foot on Indian soil.

India's economic resilience and stability are underpinned by the Government's substantial investments in infrastructure and local manufacturing, along with the consistent performance of service industries. Economic momentum remains steady, driven by robust urban demand and a gradual recovery in rural areas. The significant role of public sector investments cannot be overstated in fostering these progressions.

In FY24, India's real GDP expanded at an estimated 6.9%. Growth was underpinned by robust domestic demand, strong investment activity bolstered by the government's push for investment in infrastructure, and buoyant private consumption, particularly among higher income earners. The composition of domestic demand also changed, with government consumption being lower due to fiscal consolidation. Growth in India is projected to remain stronger going forward.

Growth was underpinned by robust domestic demand, strong investment activity bolstered by the government's push for investment in infrastructure, and buoyant private consumption, particularly among higher income earners. The composition of domestic demand also changed, with government consumption being lower due to fiscal consolidation.

Coming to the SFB space, SFBs have increased their market share in the banking industry's advances in recent years, the increase remains relatively marginal. They have focussed on building a liability franchise comparable to universal banks by offering relatively higher interest rates to depositors. The outlook for SFBs is highly positive. As more Indians enter the formal economy, the demand for credit is expected to grow. SFBs are well-positioned to meet this demand by leveraging their niche market reach and focussing on financial inclusion.

Our Focus

"The gem cannot be polished without friction, nor man perfected without trials."

By successfully raising ₹523 crores in capital, including ₹450 crores from our highly successful IPO listed on February 14, 2024. This infusion of growth capital marks a new chapter in our journey, enabling us to move forward with confidence and sustainability. With this capital, we are well-positioned to seize the abundant opportunities ahead, further strengthening our market position and enhancing value for our stakeholders.

Our growth trajectory mirrors our rapid maturation, despite our youthfulness, we confronted the challenges of COVID-19 without the safety net of vaccines, relying instead on sheer determination, perseverance, and unwavering belief. This unforeseen crisis has fortified our resilience and strengthened our organisational immunity.

Over two decades, we have re-affirmed our focus on middle-income customer segment. Our commitment to serving this segment is firm, as reflected in our diversified credit portfolio. It has shown remarkable growth, reaching

₹6,160 crores at a CAGR of 19%. Our loan book is diversified across agricultural, mortgage, MSME, and other sectors, with a zero direct exposure to microfinance, ensuring a robust and secure lending platform We take pride in being a secured lender, with 99.9% of our portfolio being secured. Of this, 86% is collateralised with immovable property or the bank's own fixed deposit receipts (FDRs).

On the liability side, our retail-focussed strategy has borne fruit, with deposits growing to ₹7,478 crores at a CAGR of 15%. Our retail deposit share stands at an impressive 92.9%, supported by a high CASA ratio of 38.3%, which has significantly lowered our cost of deposits. Additionally, our stable deposit base is reflected in a high rollover ratio of 91.15%, underlining the trust and stability we provide to our depositors.

Our financial performance has been exceptional, with consistent profitability growth reflected in a Profit After Tax (PAT) of ₹112 crores at a CAGR of 42%. Our return metrics have shown sustained improvement, with a Return on Assets (ROA) of 1.3% and Return on Equity (ROE) of 14.6%, marking significant growth since FY19. The drivers for this growth include an improving CD ratio resulting in acceleration in NIM, operating leverage benefits, and increasing non-fund-based income. Our unwavering focus on retail deposits has yielded outstanding results, contributing to our remarkably low cost of funds and cost of deposits, standing at 5.8% and 5.6%, respectively. We are continuously striving to increase our CD ratio which has increased by 11.5 percentage points since FY21, reaching an average of 79% for FY24.

*All CAGR for FY 19-FY 24

The recent IPO has further boosted our capital adequacy ratio, which now stands at a robust 27.4% for FY24. This influx of funds has not only enhanced our financial strength but also serves as a catalyst for the growth of our loan book. Our Liquidity Coverage Ratio (LCR) for FY24 was 248.5%, reflecting our sound liquidity management practices and providing a strong foundation for sustainable growth.

Our asset quality remains robust, with GNPA at 2.8% and NNPA at 1.4%, showcasing our prudent underwriting and risk management practices. We take pride in our conservative approach to lending, ensuring that loans are secured primarily for productive purposes with a focus on maintaining a healthy customer engagement. Our commitment to sound credit assessment practices is reflected in our well-defined credit assessment matrix, which is tailored to the risk profile of borrowers.



We take pride in our conservative approach to lending, ensuring that loans are secured primarily for productive purposes with a focus on maintaining a healthy customer engagement. Our commitment to sound credit assessment practices is reflected in our well-defined credit assessment matrix, which is tailored to the risk profile of borrowers.

Customer Centricity

"The customer stands at the heart of our operations, with digital innovation driving transformative change, and our dedicated employees serving as the linchpin. Together, service excellence and robust governance principles form the bedrock of our organisation."

Our mission is to create a bank that fulfils the long-held desires of our customers. By actively listening to their needs, responding to their preferences, and sparking their imagination, we have consistently taken strides towards deepening our understanding of our customer base. We are offering holistic product suit focusing on their Personal Banking and Commercial Banking requirements.

Operating on a branch-led business model, we have a significant presence in semi-urban and rural areas. Our contiguous branch expansion strategy involves first entering major business growth areas of new geographies with loan products. We then expand our presence in neighbouring territories, emphasising on deposits and cross-selling other products after building strong customer relationships.

Our customer-centric approach, which has been our hallmark since our establishment as a local area bank (LAB), sets us apart. We consistently aim to captivate the imagination of our valued customers and continuously elevate our customer-centric initiatives. Their needs are paramount to us, and we strive to come up with unique solutions to meet their ever-evolving requirements. Putting our customers' needs at the forefront, we relentlessly provide unique solutions that cater to their needs.

We aim to be the 'Primary Banker' for our clients, allowing us better

visibility into borrower cash flows. This, combined with our dedicated customer relationship team, ensures that we maintain strong customer engagement. Our credit cost as of March 2024 stands at a low 0.1%, highlighting the prudence of our lending practices. We take pride in having one of the most secured asset portfolios in the lending industry, reflecting our commitment to responsible banking practices.

We aim to be the 'Primary Banker' for our clients, allowing us better visibility into borrower cash flows. This, combined with our dedicated customer relationship team, ensures that we maintain strong customer engagement. Our credit cost as of March 2024 stands at a low 0.1%, highlighting the prudence of our lending practices.

Digital is Transformational

In line with our objective of continuously adapting to the ever-evolving business landscape, we have leveraged technology to improve our performance on several fronts. Data-driven insights have allowed us to formulate a focussed expansion strategy as we seek to capture the most promising markets in our vicinity. Furthermore, we seek to offer an enhanced omni-channel experience to ensure well integrated solutions to our customers. Digitisation has enabled efficiencies across our processes, leading to substantial improvements in our overall performance.

Furthermore, we seek to offer an enhanced omni-channel experience to ensure well integrated solutions to our customers. Digitisation has enabled efficiencies across our processes, leading to substantial improvements in our overall performance.

The omnipresence of digital technology, coupled with the transformative potential of AI, signifies a paradigm shift in our approach. We are fully committed to continuous reinvention through the integration of cutting-edge technologies on a daily basis. While our journey is ongoing and ever-evolving, we recognise the critical importance of cybersecurity in the digital realm, ensuring both our and our customers' safety.

We are dedicated to optimising operational efficiency by expanding and refining our branch network. Leveraging our bancassurance partnerships, we intend to capitalise on cross-selling opportunities, fostering revenue growth and bolstering profitability. These initiatives underscore our commitment to advancing customer experience and operational excellence in the digital age.

Conclusion

The expected outcomes of our strategic initiatives include significant growth in our loan portfolio, supporting the economic development of the regions we serve. By increasing our credit-to-deposit ratio, we aim to improve our NIM and overall profitability. Ultimately, our strategies are designed to enhance profitability and ROA, demonstrating our commitment to creating sustainable value for our stakeholders.

I express my profound appreciation to our customers, shareholders, channel partners, regulators, advisors, vendors, and all other stakeholders for their trust and support. Your belief in us motivates us to pursue excellence every day. Together, we take pride in being part of a transformative movement towards financial inclusion.

Thanking You.

Warm Regards,

Munish Jain,
Executive Director

Building on Strengths:
PAVING THE WAY FORWARD

With over 20 years of experience in the banking industry, our strengths are rooted in customer-centric approach and strategic growth. Our core values of trust, transparency, and community focus have been the pillars of our success. With an extensive reach across North India, we provide personalised banking solutions for every family. These strong foundations have driven us to excel in both operational and financial metrics, paving the way for a robust and brighter future.



Our Competitive Advantage

Retail Focussed Liability Franchise

Sturdy Growth Trajectory

Professional and Experienced Leadership

Commitment to Customer Satisfaction

Streamlined Credit Assessment and Risk Management Processes

Secured and Diversified Advances Portfolio

We are proud of our exceptional achievements, including maintaining one of the lowest gross non-performing assets (GNPAs) in the industry, thanks to our strengths. Our effective credit and risk management practices have been pivotal in sustaining the financial health of our institution. Guided by our experienced leadership team, we are confident of realising our ambitious goals while empowering the dreams of many.

By continually capitalising on our core strengths, we are committed to furthering our vision of a financially inclusive future and serving our customers with excellence and integrity.



Leveraging Our Strength as a RETAIL-FOCUSSED LIABILITY FRANCHISE

At Capital SFB, we position ourselves strategically as a strong retail-focussed liability franchise. This can be attributed to a deep relationship-based approach, a contiguous branch network, and a focus on customer-centric services. With a loan book of ₹6,160 crores and an average ticket size of ₹14.2 lakhs, we have established a granular and diversified portfolio that generates significant value for our business.

Comprehensive Banking Products

We have a comprehensive range of products—including savings bank deposits, current deposits, term deposits, NRE and NRO deposits, and tax saver deposits. This enables us to cater to the diverse needs of our customers across rural and semi-urban areas and penetrate deeper into our target markets.

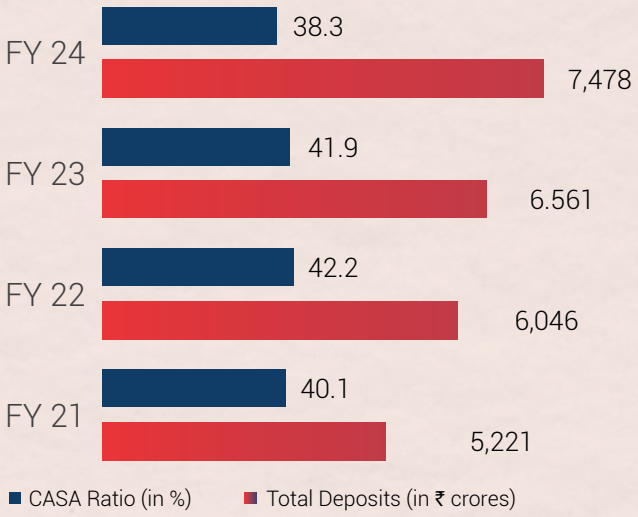
Robust Financials

We have achieved healthy growth in FY24, with total deposits soaring to ₹7,478 crores, reflecting a robust 15% CAGR from FY19. Our CASA ratio stands strong at 38.3% with an interest rate of 3.5% on savings bank accounts, and a rollover ratio of 91.15%. This showcases the success of our deposit mobilisation strategies and the stability of our deposit base.

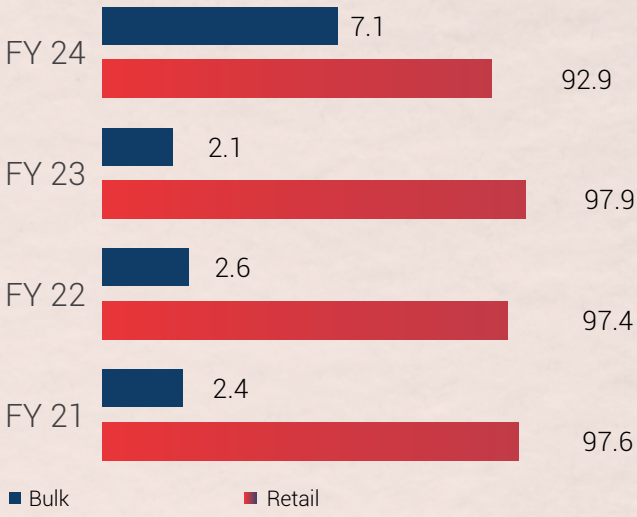
We focus on granular and retail-centric deposits, with marginal bulk deposits, as evidenced by our top 20 depositors accounting for only about 7% of total deposits.



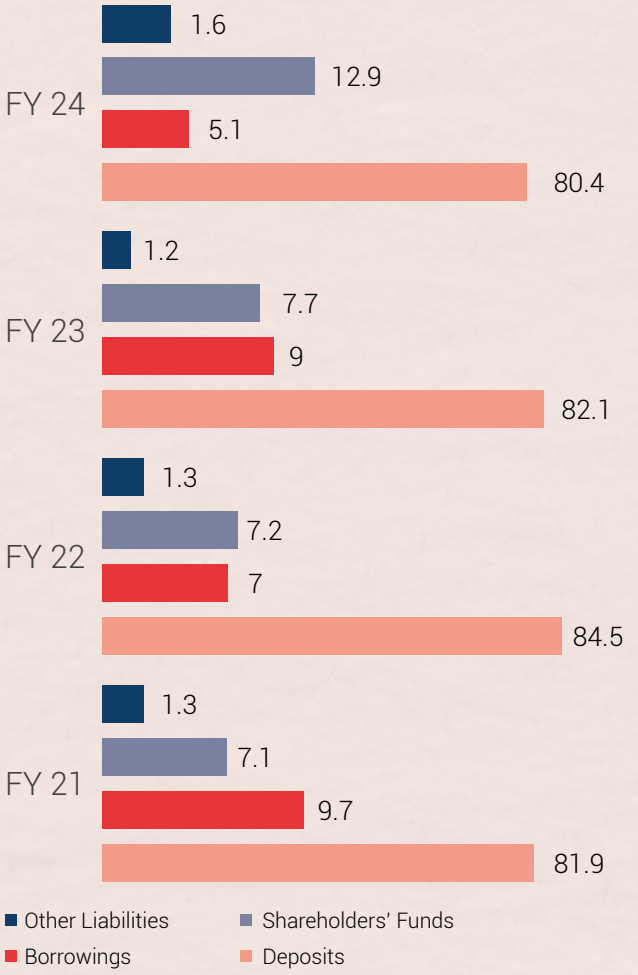
Total Deposit (in %)



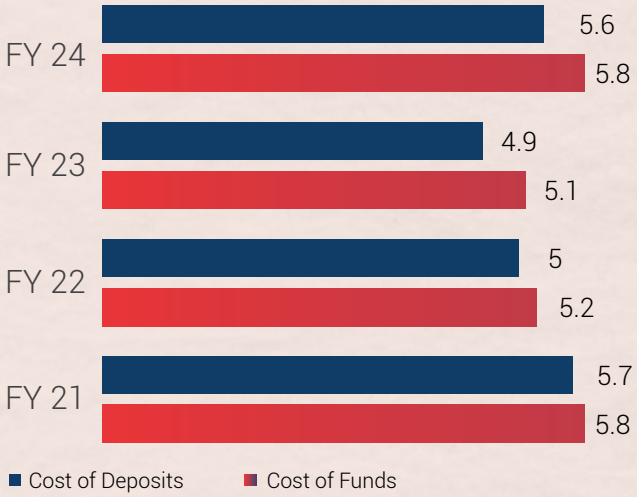
Retail Focused (in %)



Funding Mix – Positively Skewed towards Deposits (in %)



All Leading to Low Financing Cost (in %)



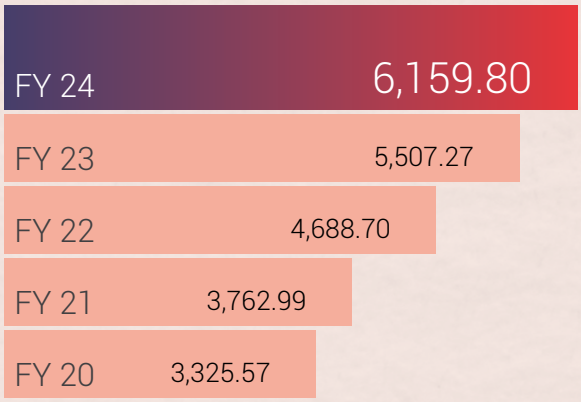
Strong Brand Equity

Our brand equity has been enhanced by increased brand recognition and effective marketing efforts, significantly strengthening our liability franchise and improving our brand visibility.

Moving on a Promising and STURDY GROWTH TRAJECTORY

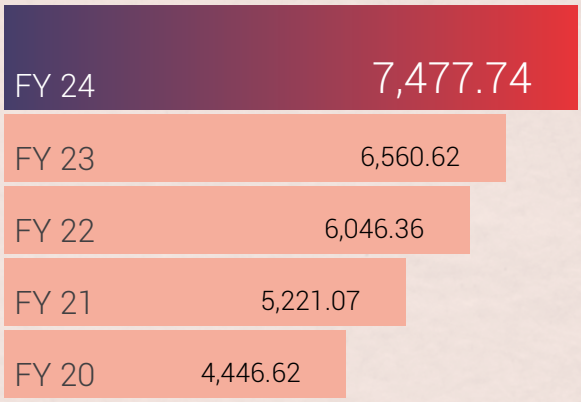
At CFSB, we are committed to customer service, professional excellence, prudent financial management and continuous innovation. By doing so, we have consistently delivered strong financial performance, maintaining our reputation for reliability, trustworthiness and performance.

Loan Book (₹ in crores)



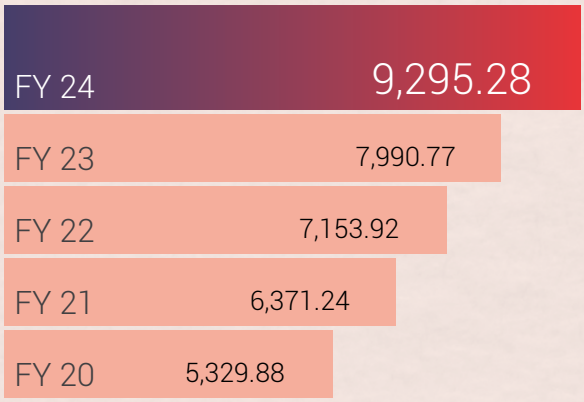
12% YoY Growth 19% CAGR

Total Deposits (₹ in crores)



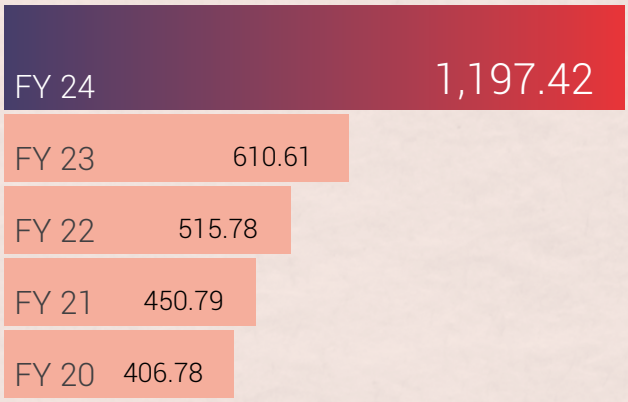
14% YoY Growth 15% CAGR

Balance Sheet Size (₹ in crores)



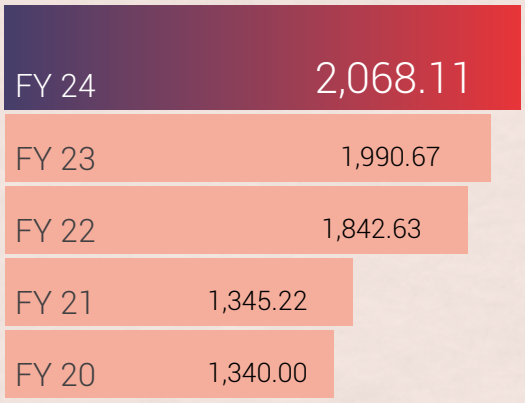
16% YoY Growth 17% CAGR

Net Worth (Capital + Reserves) (₹ in crores)

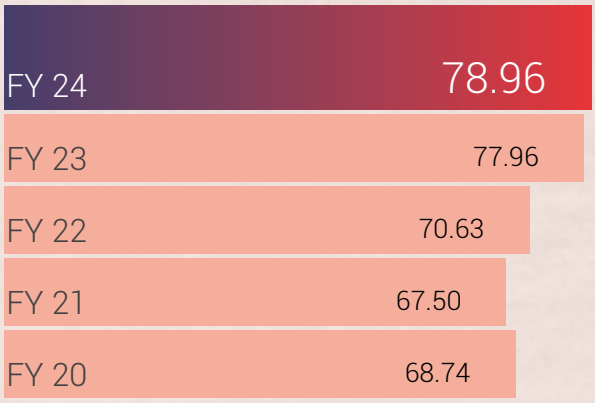


96% YoY Growth 37% CAGR

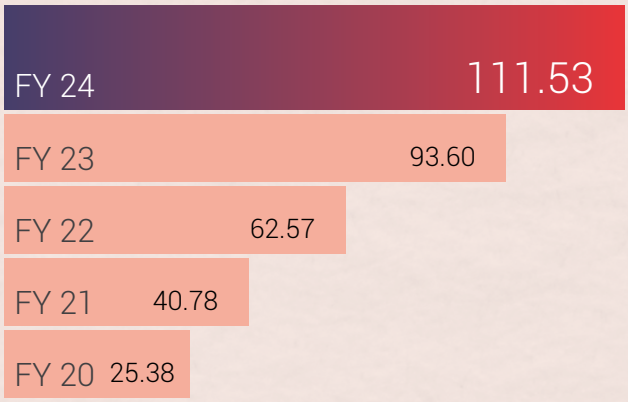
Loan Disbursement (₹ in crores)



Average CD Ratio (in %)

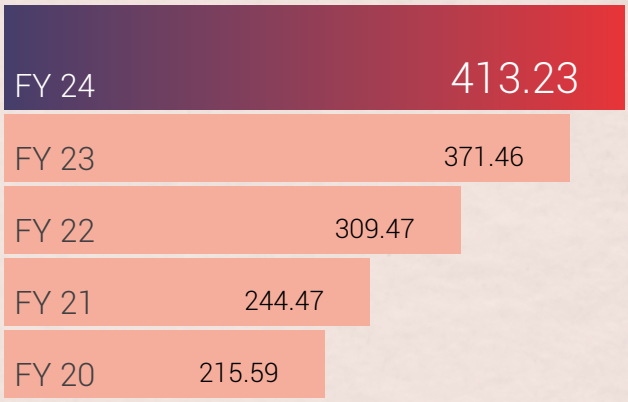


Profit After Tax (₹ in crores)



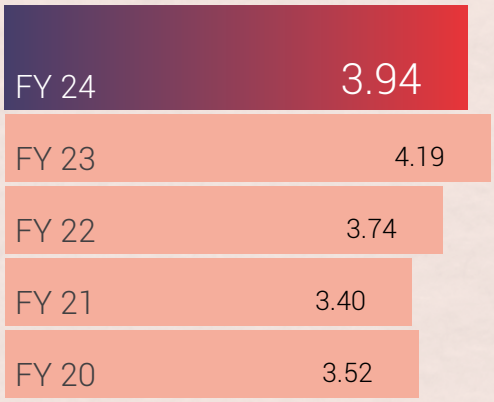
19% YoY Growth 42% CAGR

Net Total Income (₹ in crores)

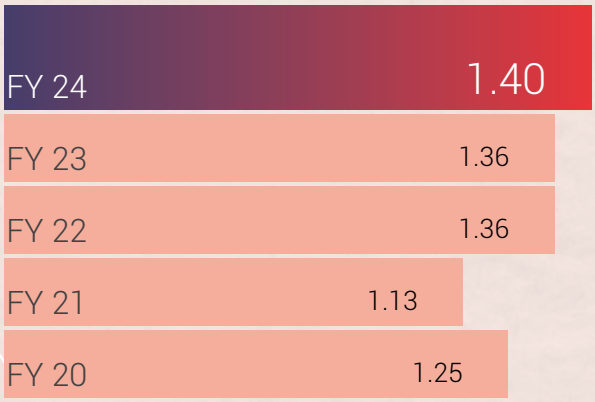


11% YoY Growth 20% CAGR

Net Interest Margin (in %)

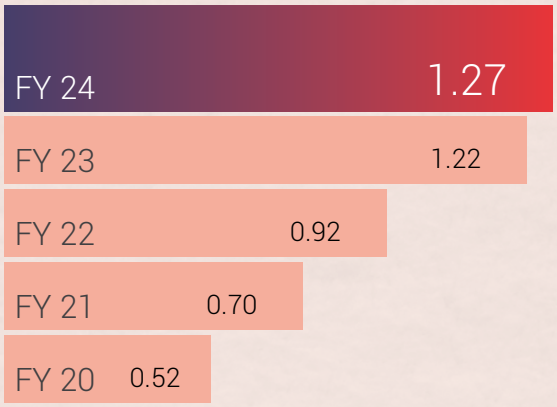


Net Non-Performing Assets (NPA) (in %)

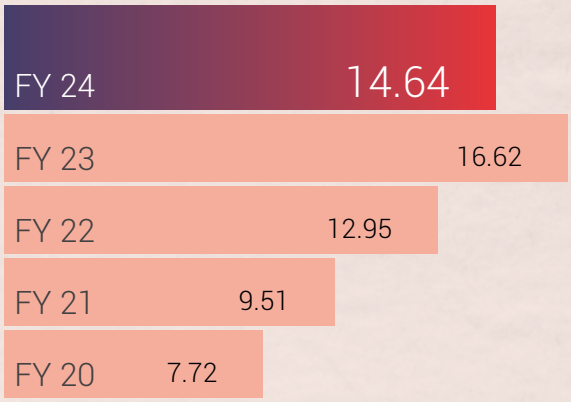


Note:
CAGR represents FY19-FY24
YoY Growth pertains to the growth in FY24 over FY23

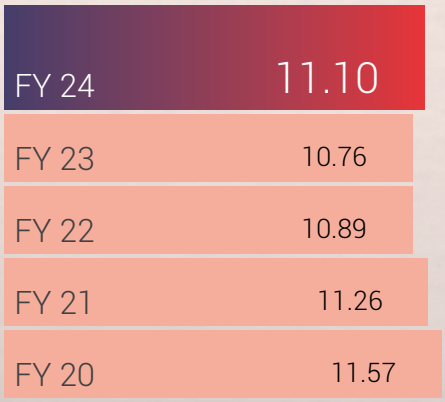
Return on Assets (in %)



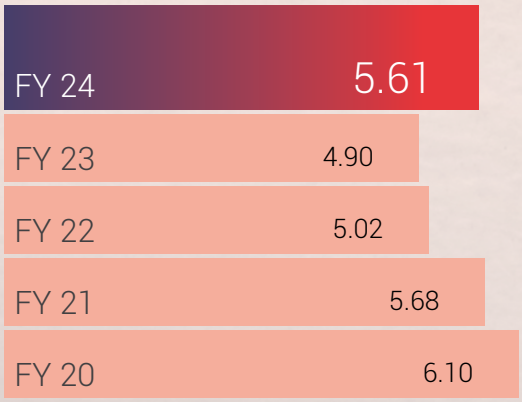
Return on Equity (in %)



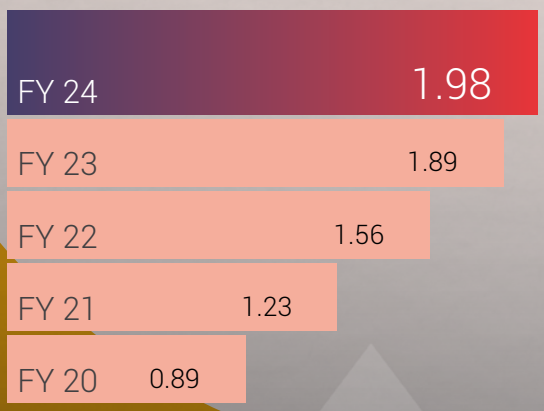
Yield on Advances (in %)



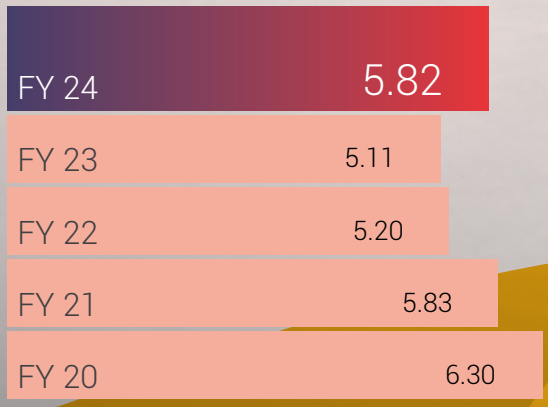
Cost of Deposits (in %)



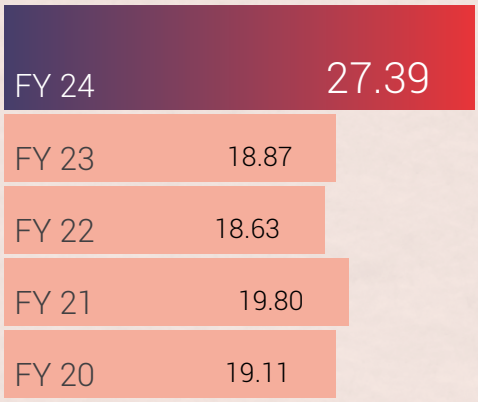
Return on Average Advances (in %)



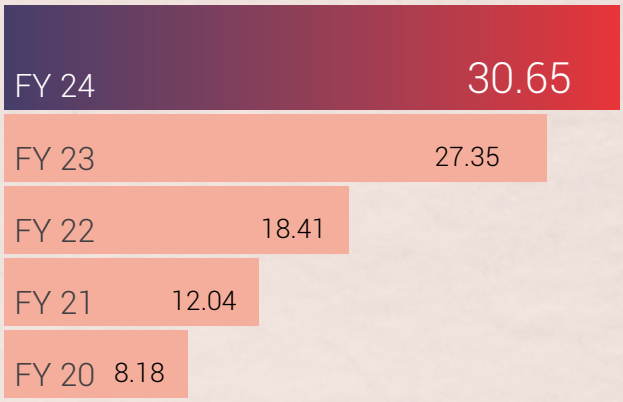
Cost of Funds (CoF) (in %)



Capital Adequacy Ratio (CAR) (in %)



Earnings Per Share (in ₹)



As one of the leading SFBs in India, we have demonstrated noticeable performance across several key metrics in FY24. Our cost of funds is the lowest among SFBs, and we lead the sector with the highest retail deposits and CASA ratio, surpassing both SFBs and private sector banks.

Over the past two fiscals, we have demonstrated consistent growth in Return on Assets (RoA) and Return on Equity (RoE). Our retail-centric business model, where advances are primarily funded by stable and low-cost retail deposits, is evidenced by a high deposit-to-loan ratio of 121.4% as of FY24.

Our asset quality has remained resilient through major market events such as demonetisation, GST implementation, the IL&FS crisis, and the COVID-19 pandemic. This highlights our robust credit underwriting practices and strong asset management.

Leveraging the Strengths of a PROFESSIONAL AND EXPERIENCED LEADERSHIP

Our Board and Senior Management Team are composed of highly qualified and experienced professionals with deep expertise in the financial services industry. Their extensive knowledge of various business and interest rate cycles equips them to navigate and lead through diverse economic environments.

Our leadership team is diverse in nature. This helps them in successful execution of a wide range of strategies, managing a broad spectrum of products and services, and adeptly navigating the risks of the banking industry. They are supported by a skilled and knowledgeable team of trained professionals at our head office and branches, who bring valuable local insights and connections.

Board of Directors



Mr. Navin Kumar Maini

Part-Time Chairman and Non-Executive Independent Director

Mr. Navin Kumar Maini is an Independent Director and Part Time Chairman of Capital SFB. He holds a bachelors' degree in law and science (honours) from the University of Delhi. Further, he also has a postgraduate diploma in international trade from the Indian Institute of Foreign Trade, a certificate of participation in the NIBM-Stanford Advanced Management Programme presented by the Stanford University Graduate School of Business, and a post-graduate diploma in management from the Management Development Institute. Mr. Maini has completed an executive course on Financial Institutions for Private Enterprise Development, conducted by the Harvard Law School and the International Institute for Advanced Studies. He is also a certified associate of the Indian Institute of Bankers. Mr. Maini has over four decades of experience in the banking industry. He has previously served as the deputy managing director of SIDBI and been associated with the Industrial Development Bank of India and United Commercial Bank. He has also served as a director of various entities, including SIDBI Trustee Company Limited, SIDBI Venture Capital Limited, National Credit Guarantee Trustee Company Limited, India SME Asset Reconstruction Company Limited, NSE Clearing Limited, Bhartiya Samruddhi Finance Limited, and Acuite Ratings and Research Limited. He currently serves as a director of Subhlakshmi Finance Private Limited and Member of Advisory Council of Ananya Finance for Inclusive Growth Private Limited, Arthimpact Digital Loans Private Limited and IVY Cap Ventures Trust Fund I.



Mr. Sarvjit Singh Samra

Managing Director and CEO

Mr. Sarvjit Singh Samra is the Managing Director and Chief Executive Officer of Capital SFB. He holds a bachelor's degree in arts and a master's degree in business administration from Guru Nanak Dev University. Mr. Samra has over 36 years of experience in the banking and financial industry in various leadership and senior decision-making positions. He has been associated with the Bank since its inception and been instrumental in its conversion from a local area bank to an SFB. Mr. Samra has previously served as the Managing Director of various asset financing companies. In addition to his current position as the Managing Director and Chief Executive Officer, he boasts a distinguished history within the Bank, having previously served as a Chairman for a period of over three years.



Mr. Munish Jain

Executive Director

Mr. Munish Jain is the Executive Director of the Capital SFB. He holds a bachelor's degree in commerce from Guru Nanak Dev University. He is a fellow member of the Institute of Chartered Accountants of India and a fellow member of the Institute of Company Secretaries of India. He has over 23 years of experience in the banking sector, including finance, compliance, treasury, strategic decision making and execution of strategic decisions. He has completed programmes on leadership of banks and financial institutions, advanced corporate finance and risk modelling and management from the Indian Institute of Management, Ahmedabad. He has also completed a programme on the International Financial Reporting Standards from the Reserve Bank of India and the 'Strategem –Strategy Meets Leadership Programme' from INSEAD, Fontainebleau, France. He has previously served as the company secretary of the Bank and has been associated with our Bank since 2000. He was appointed as our Chief Operating Officer in 2014 & the Executive Director in August 2023.



Mr. Dinesh Gupta

Non-Executive, Non-Independent Director

Mr. Dinesh Gupta is a Non-Executive Director of Capital SFB. He holds a bachelor's degree in commerce and law from Guru Nanak Dev University. He is also a fellow member of the Institute of Company Secretaries of India and has received the Lean Six Sigma Green Belt Certificate from Benchmark Six Sigma. Mr. Gupta currently serves as a director of DSB Law Group Private Limited. He was director of DSB Edutech Private Limited. He is a Practising Company Secretary and Managing Partner of M/s Dinesh Gupta & Co., Company Secretaries. He has over 35 years of experience in finance, taxation, corporate laws, corporate restructuring, commercial laws, banking, and business process management, among other things. Mr. Gupta also practised as an Advocate in the Punjab and Haryana High Court from 1988 to 1992. He previously held the position of Director of Capital Local Area Bank Limited from 2007 to 2015.



Mr. Srinath Srinivasan

Non-Executive Non-Independent (Nominee Director – Oman India Joint Investment Fund - II)

Mr. Srinath Srinivasan is a Non-Executive Director of Capital SFB and a nominee of Oman India Joint Investment Fund II on our Board. He holds a bachelor's degree in engineering (electronics and communication) from the National Institute of Technology, Karnataka, Mangalore University and a master's degree in business management from the Asian Institute of Management, Manila, Philippines. Further, he has completed an executive education programme on leadership skills for top management from the Indian School of Business, the Blue Ocean Strategy Programme – India Edition from INSEAD; executive programme in luxury brands from the SDA Bocconi School of Management; and an Independent Directors Certification programme conducted by Hunt Partners, KPMG and Board Evaluation. Mr. Srinivasan has previously served as the country head for the private equity business of Rand Merchant Bank in India and has been associated with Reliance Capital Asset Management Limited. In 2011, he was appointed as the Chief Investment Officer of Oman India Joint Investment Fund Management Company Private Limited. He has been serving as the Chief Executive Officer of Oman India Joint Investment Fund Management Company Private Limited since 2012. He was also elected to the executive council of the Indian Venture Capital Association in 2015 and has served two consecutive terms thereon.



Mr. Mahesh Parasuraman

Non-Executive Non-Independent (Nominee Director – Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I)

Mr. Mahesh Parasuraman is a Non-Executive Director of the Bank and a nominee of Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I on our Board. He holds a bachelor's degree in commerce from the Bangalore University and is an associate member of the Institute of Chartered Accountants of India. He is also a member of the Institute of Cost and Works Accountants of India. Mr. Parasuraman is also currently a director of AAUM Investment Advisers Private Limited and a designated partner in Amicus India Capital Partners LLP, Pluralequity Partners LLP, Plurality Partners LLP, Amicus Capital Private Equity II LLP and Amicus Capital Private Equity I LLP. He is a nominee director on the board of D2C Consulting Services Private Limited and nominee director on the board of Wonderchef Home Appliances Private Limited and an independent director on the board of Sundaram Home Finance Limited. He has over 25 years of experience and was previously associated with Carlyle India Advisors Private Limited (an affiliate of the Carlyle Group), Ernst & Young LLP and Arthur Andersen & Associates.



Mr. Balbir Singh

Non-Executive Non-Independent (Nominee Director – Small Industries Development Bank of India)

Mr. Balbir Singh is a Non-Executive Director of the Bank and nominee of SIDBI. He holds a master's degree in business administration from the Himachal Pradesh University. He is currently designated as the General Manager and Regional Incharge of the Chandigarh Regional Office of Small Industries Development Bank of India. He has over 26 years of experience with almost 20 years of vast experience in promotion and development of micro small medium enterprises (MSMEs). He has also served on many senior positions and been designated as Nominee Director on the Board of various Companies.



Mr. Nageswara Rao Yalamanchili

Non-Executive Independent Director

Mr. Nageswara Rao Yalamanchili is an Independent Director of Capital SFB. He holds a bachelor's degree in commerce from the Nagarjuna University. He is also a certified associate of the Indian Institute of Bankers. Prior to joining our Board of Directors, he has held the positions of General Manager and Executive Director in the Vijaya Bank. He was also the officer on special duty and Whole-Time Director at Syndicate Bank. Mr. Rao also served as an Executive Director at the Bank of Maharashtra.



Mr. Gurpreet Singh Chug

Non-Executive Independent Director

Mr. Gurpreet Singh Chug is an Independent Director of Capital SFB. He holds a bachelor's degree in arts and law from the Guru Nanak Dev University. He also holds the qualification of Licentiate from the Insurance Institute of India. Mr. Chug has previously been associated with Global Financial Services as its President and M/s. Steel Products (India) as its Proprietor. He currently serves as the Managing Director of Pioneer Assurance Consultants Private Limited.



Mrs. Rachna Dikshit

Non-Executive Independent Director

Rachna Dikshit is an Independent Director of Capital SFB. She holds a bachelor's degree in arts from the Lucknow University and master's degree in arts from the University of Allahabad. She is also a certified associate of the Indian Institute of Bankers. She was previously the chief general manager at Reserve Bank of India.



Mr. Kamaldeep Singh Sangha

Non-Executive Independent Director

Kamaldeep Singh Sangha is an Independent Director of Capital SFB. He holds both bachelor's and master's degree in arts from the Punjabi University, Patiala. He also served as the managing director of Punjab State Cooperative Bank, deputy commissioner of Amritsar and Fatehgarh Sahib, secretary to Punjab State Agricultural Marketing Board and in addition secretary to Punjab State Rural Development Board. He has previously served as the managing director of MILKFED, the Punjab State Cooperative Milk Producers' Federation Limited after retiring from the Indian Administrative Service.



Mr. Sukhen Pal Babuta

Non-Executive Independent Director

Sukhen Pal Babuta is an Independent Director of our Bank. He holds a bachelor's degree in science from the Punjab University. He is a certified associate of the Institute of Chartered Accountants of India since 1987 and an insolvency professional registered with the Insolvency and Bankruptcy Board of India. He has previously served as a director on the board of directors of Punjab & Sind Bank.



Mr. Sham Singh Bains

Non-Executive Independent Director

Mr. Sham Singh Bains is an Independent Director of Capital SFB. He holds a bachelor's degree in arts from the Guru Nanak Dev University, Amritsar. He has vast experience in agriculture.

Specialised Board Areas:

- Banking
- Finance
- Cooperation
- Marketing
- Accountancy
- Taxation & Audit
- Law
- Rural Economy
- Information Technology
- Risk Management
- Agriculture
- SSI Taxation
- Business Advisory
- Public Administration

54%
Independent Directors on the Board

59
Years
Average Age of Board Members

34
Years
Average Experience of Board Members

Leadership Team



Mr. Sarvjit Singh Samra
Managing Director & CEO



Mr. Munish Jain
Executive Director



Mr. S.K. Dhawan
Head of Credit



Mrs. Richa Mahajan
Chief Compliance Officer



Mr. Raghav Aggarwal
Chief Risk Officer



Mr. Anuraj K. Bhardwaj
Head of Credit (Retail)



Mr. Aseem Mahajan
Chief Financial Officer



Mr. Sahil Vijay
Chief Treasury Officer



Mr. Harvinder Singh
Chief Information Officer



Mr. Parun Gupta
Chief Marketing Officer



Mr. Kamal Tandon
Regional Business Head



Mr. Varinder Shoor
Regional Business Head



Mr. Manoj Sodhi
Regional Business Head



Mr. Arvind Dutt
Regional Business Head

Upholding Our Promise to CUSTOMER SATISFACTION

For us, customer-centricity stands for deeply understanding and addressing the unique needs of each customer through a comprehensive range of services under one roof. This approach guarantees that every customer, from individuals to small businesses, receives exceptional convenience and support, establishing us as a premier one-stop financial hub.

Our commitment to customer-centricity is reflected in our tailored financial solutions, extensive branch network, digital integration, and relationship-based banking approach. By focussing on the middle-income segment and ensuring comprehensive, accessible banking services, we continue to build lasting relationships and foster financial inclusion across India. This dedication to customer service, backed by a comprehensive suite of products and a strong support system, positions the Bank as a leading and trusted financial partner.

Initiatives for Customer Satisfaction

Branch Network Driven Strategies

Through a strong branch-based model, we ensure accessibility in semi-urban and rural areas, reflecting our dedication to personalised customer service. Our strategic expansion of branches across five states and one union territory reinforces our commitment to deep local engagement and relationship-based banking, enabling us to better understand and respond to customer needs.

₹78.6 **crores**

Business Per Branch

₹7.4 **crores**

Business Per Employee

Retail-Oriented Liability Franchise

Our liability franchise is predominantly retail-focussed, with retail deposits making up 92.9% of our total deposits. With a strong CASA ratio of over 38% and a stable savings bank interest rate of 3.5%, we emphasise on a relationship-based deposit framework that provides both stable and low-cost deposit base.

38.3%

CASA Ratio

92.9%

Retail Deposit Composition

Digital Empowerment

By embracing technology, we have dramatically improved customer experience, with our share of digital transactions in non-cash transactions reaching 85% by FY24. Utilising data-driven insights, we deliver personalised financial solutions and enhance collection efficiency through advanced early warning systems. Our digital integration ensures that customers can access banking services seamlessly and securely from anywhere.

From **54%**
Digital Transactions
in FY21 to

85%
Digital Transactions
in FY24

Focus on Customer Relationship

Our branch-led acquisition strategy focusses on building strong and enduring customer relationships. From the initial engagement, customers receive personalised financial advice and streamlined processes for both loan origination and deposit services. Dedicated relationship managers offer ongoing support, from managing loan repayment schedules to providing additional financial planning. This relationship-based approach fosters deep engagement and long-term loyalty.

Our focus on serving semi-urban and rural areas contributes to financial inclusion by providing essential banking services to underserved regions. Prioritising local hiring helps maintain strong connections with customers through personal and digital means, ensuring seamless banking services and fostering trust and loyalty. Operating in these regions offers several benefits:

- Deeper credit penetration
- Less competition
- Lower risk of customer migration, leading to longer, more loyal customer relationships
- Better credit behaviours
- Lower delinquency rates

7.41
lakhs
Customer Base

Customer Servicing Lifecycle

We believe in deep customer engagement at every stage, facilitated by our relationship managers, personal bankers, and retail bankers deployed at branches. This ensures personalised service through both physical and digital means.

- **Origination:** Personalised financial advice for both loans and deposits, ensuring customers receive the best-suited financial products.
- **Account Management:** Dedicated relationship managers provide ongoing support, including financial planning and efficient issue resolution.
- **Servicing:** Continuous engagement through digital channels, ensuring customers can manage their accounts seamlessly and access necessary services anytime, anywhere.
- **Support:** Proactive customer support systems that address enquiries and resolve issues promptly, ensuring a satisfying banking experience.

Continuous Customer Engagement and Support



Customer Testimonials

Mr. Lakhbir Singh

Mr. Singh, a dedicated farmer from the village of Shankar, has been a valued customer of Capital Small Finance Bank for the past 12 years. In 2012, he faced a financial shortfall while trying to purchase essential agricultural equipment for his crops. A relative informed him about the attractive Agri loans offered by Capital SFB. Encouraged by this, Mr. Singh applied for a Kisan Credit Card (KCC) loan. Capital SFB promptly supported him with a short-term credit loan, enabling him to finance crop production, purchase seeds, fertilizers, and other agricultural equipment with ease. Pleased with the seamless experience and support, Mr. Singh was highly satisfied and happily referred his family and friends to open deposit and credit accounts with Capital SFB.

When no ray of hope was left, I found Capital Small Finance Bank as a saviour in my tough time. They provided me the needful in less time than expected. I will always be grateful for their prompt support and excellent service. I also recommended the services of this Bank with my dear ones too.

Mr. Nathu Singh

Mr. Nathu Singh, a Vada pav vendor in Jalandhar, began his humble food cart business with much uncertainty about its success. The initial days were tough, but his hard work soon started paying off, and he began earning well. When he felt financially stable enough to support himself and his family, he planned to expand his business on a larger scale. To source the necessary funds, he decided to take a loan. Capital Small Finance Bank facilitated this by sanctioning the required amount with minimal formalities. With the loan, Mr. Singh transitioned from his small cart to a rented shop nearby and is now thriving, earning a substantial income.

There was a time when making ends meet was a challenging task, but with time, things are getting back to normal. Shifting from a small cart to a shop is a big decision and it is like a dream come true and this has been possible only because of Capital SFB. They provided me with instant support and their excellent services made whole rigorous process quick and easy.

Mrs. Shammli Madhia

Mrs. Shammli, a proprietor from Ludhiana, spent nearly 14 years living in a rented house before deciding to pursue her lifelong dream of owning a home. Despite having numerous queries and doubts, the encouragement from her children and the clear guidance from Capital Small Finance Bank supported her throughout the process. Today, she is living the life she once dreamt of, enjoying a 'rent-free' life in her own home with her family.

Capital SFB really transformed my life and provided me a secured and bright future. I will always be grateful to them. For me, the journey was not an easy one. But today, when I look back, I feel so proud of taking such a big decision of paying EMIs instead of rent. Their constant and clear guidance helped me to transform my journey from Ghar ka Sapna to Sapno ka Ghar!

Modern Chemicals

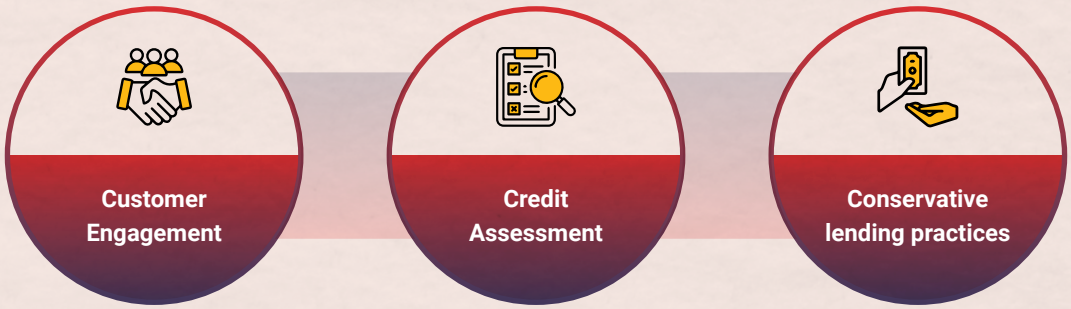
With the pace of advancement and customers' preference for contactless shopping, the owner of Modern Chemicals has opted for digital payments. By utilising the mobile and internet banking services provided by Capital SFB, he has significantly enhanced his business operations. These services have allowed him to conduct transactions conveniently, ensuring smoother and more efficient financial management.

I am a proud current account holder of Capital Small Finance Bank, and I must say that their mobile banking app has transformed my banking experience completely. Thanks to their app, I rarely find the need to visit a branch anymore. I can effortlessly complete all my transactions smoothly and swiftly from anywhere. The app allows me to view my detailed account statement at any time, which helps me keep track of my finances effectively. Moreover, I receive timely alert messages for important updates such as password changes and other notifications. I am truly appreciative of Capital SFB for their innovative banking solutions and exceptional service.

Promising
STREAMLINED CREDIT ASSESSMENT AND RISK MANAGEMENT

Over two decades of operational experience and customer engagement have allowed us to develop a robust risk management framework. Our dedication to upholding industry-leading asset quality is supported by rigorous credit assessment and risk management practices. This ensures that we safeguard our assets while delivering reliable and secure financial services to our customers.

Our risk management framework is founded on the pillars of:



This comprehensive approach ensures the maintenance of healthy customer relationships and supports the financial stability of both our customers and the Bank.

Customer Engagement

We prioritise dedicated customer relationship management to maintain strong engagement with our borrowers. By deeply understanding their financial needs and capabilities, we tailor our products and services to meet their specific requirements. As the primary banker for our customers, we gain better visibility into their cash flows, allowing us to manage risks more effectively and support their financial well-being.

Customer Engagement Process

- Dedicated customer relationship team to maintain healthy customer engagement
- Better visibility of borrower cash flows by targeting to be the 'Primary Banker'

Credit Assessment Matrix

Our well-defined credit assessment matrix is based on the risk profiles of borrowers, playing a crucial role in evaluating creditworthiness and determining appropriate loan terms. This matrix ensures that our lending decisions are both informed and aligned with our risk appetite, supporting sound financial practices.

Robust Credit Assessment Matrix

Conservative Loan-to-Value (LTV) Ratios

We follow the conservative LTV approach to secure our lending activities, focussing on productive purposes and ensuring that loans are well-collateralised. This secured lending approach significantly mitigates risks and upholds the quality of our asset portfolio.

99%+
Lending is Secured

Committee Approach and Independent Reviews

For larger exposures (12.5 million and above), a credit sanctioning committee oversees and monitors these exposures, ensuring multiple levels of scrutiny and independent reviews through the 'four eyes' principle. This approach enhances the robustness of our credit assessment process, guaranteeing that all lending decisions are thoroughly vetted and aligned with our risk management standards.

4
Eyes Principle

All these measures have been instrumental in maintaining our asset quality, denoting better credit underwriting mechanism and strength of our asset franchise.

There is a clear linkage between our robust risk management framework and superior asset quality. Our rigorous customer engagement ensures a deep understanding of financial health, while our credit assessment matrix and conservative LTV ratios work to minimise risk. A committee-based approach and independent reviews add multiple layers of oversight, enhancing our ability to identify and mitigate potential risks. This meticulous process results in superior asset quality, low GNPA and NNPA ratios, and minimal credit costs.

2.8%
GNPA

1.4%
NNPA

0.1%
Credit Cost

~Negligible write-offs and Zero NPA sell off

One of the most Secured Asset portfolio in the lending industry



Ensuring a SECURED AND DIVERSIFIED ADVANCES PORTFOLIO

Our portfolio is 99%+ secured, emphasising on prudent risk management and resource optimisation. We offer a diverse range of products including agricultural loans, MSME financing, and mortgage lending, with a focus on the middle-income segment. This strategic diversification allows us to meet various customer needs while maintaining high credit quality and supporting sustainable growth.

Prior to 2016, we operated as a local area bank and were one of the non-microfinance institutions granted the SFB license by the RBI. Our background as a local area bank enabled us to diversify across segments, resulting in lower systemic risks compared to the overall industry with a high microfinance base. We have established a franchise for a variety of products beyond microfinance, making it operationally less challenging to venture into diversified products.

We have one of the most diversified portfolios with book size in multiple asset classes as of FY24.

Granular loan book portfolio ATS of ₹14.2 lakhs

Focus on middle-income customer segment

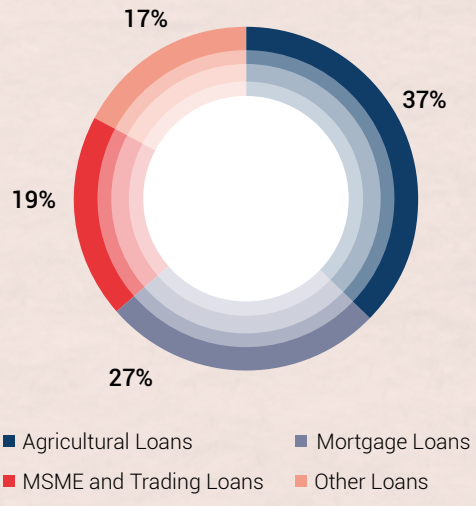
Emphasis on secured lending with 99%+ secured

Endeavour to be a full suite banker for customer

Loan Portfolio

Our loan portfolio reflects a strategic focus on agricultural and mortgage loans, with 37% allocated to agriculture and 26% to mortgages. Our emphasis on agricultural loans supports rural livelihoods and diversifies our risk, while mortgage loans offer secure lending backed by property, meeting the growing housing demand. Together, these segments foster long-term customer relationships and contribute to economic development.

About 19% of our portfolio is dedicated to MSME and trading loans, driving small business growth and local economic resilience. The remaining 17% addresses diverse financial needs through personal and vehicle loans, allowing us to adapt to market demands. This balanced approach not only helps us manage risk effectively but also positions us for sustainable growth in a competitive market.



Key Highlights of FY24

Agricultural Loans

₹2,293 crores

₹12.4 lakhs
Average Ticket Size

1.69%
NNPA

12.08%
Interest Yield

Mortgage Loans

₹1,624 crores

₹11.7 lakhs
Average Ticket Size

0.86%
NNPA

11.81%
Interest Yield

MSME and Trading Loans

₹1,182 crores

₹18.6 lakhs
Average Ticket Size

2.73%
NNPA

10.74%
Interest Yield

Corporate Loans

₹566 crores

₹1,719 lakhs
Average Ticket Size

NIL
NNPA

11.15%
Interest Yield

Consumption and Other Loans

₹495 crores

₹7.9 lakhs
Average Ticket Size

0.35%
NNPA

9.72%
Interest Yield

GUIDING STRATEGIES FOR EXCELLENCE

As we navigate the evolving landscape of the financial sector, the Bank remains committed to resilience and growth. Our strategic initiatives are designed to strengthen our foundation, adapt to market dynamics, and enhance our service delivery to meet the diverse needs of our customers. Emphasising on robust risk management, technological advancement, and sustainable practices, we aim to build a future where our stakeholders can thrive.

Our strategies are built on the pillars of customer-centricity, operational excellence, and financial prudence. By expanding our branch network and deepening our presence in North India, we ensure greater accessibility and convenience for our customers. Leveraging advanced technology and digital banking solutions, we enhance our operational efficiency and deliver seamless banking experiences. Additionally, our focus on secured lending and prudent financial practices ensures stability and trust among our stakeholders. Through these initiatives, the Bank is not just preparing for the future but is also being resilient, inclusive, and sustainable.



Strategies Going Forward



- Organic Loan Book Growth and Secured Lending
- Strengthening Operational and Profitability Metrics
- Building Our Brand Loyalty
- Leveraging Technology and Data Analytics

STRATEGY 1

Shaping Organic LOAN BOOK GROWTH AND SECURED LENDING

To organically grow our secured loan book, we are strategically targeting existing segments such as MSME and trading, mortgages, and agriculture. We are capitalising on the anticipated tailwinds of the increasing size of the middle-income segments due to rising incomes, economic growth, and improved access to education and employment opportunities in India. By doing so, we aim to drive sustainable expansion and strengthen our position as a leading financial partner. Our approach focusses on high-quality, secured advances to support various customer needs while continuing to expand and diversify our secured loan portfolio for long-term financial stability.

Background

The northern region is well positioned to grow with the help of financial institutions to further support the flourishing agriculture and industrial sector. Moreover, the deposit penetration in the northern region is comparatively lower than the southern and western regions. Accordingly, there is a huge scope for further penetration in the northern, eastern, northeastern, and central regions across both credit and deposit.

Aim

- Leverage our brand presence in Punjab
- Expand further in adjacent states of Haryana, UT Chandigarh, Rajasthan, NCR, and Himachal Pradesh
- Develop a deeply entrenched geographical presence, which will position us to service a larger market for credit and effectively grow our advances

Stakeholders Impacted

Customers

FY25 Priorities

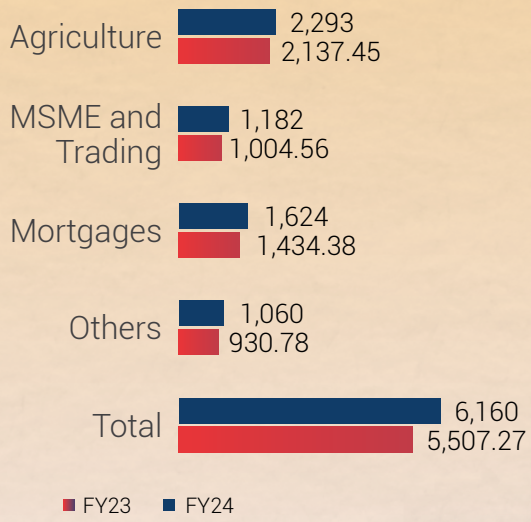
- Serve more customers in the middle-income segment with special emphasis on rural and semi-urban areas
- Lending first in newer areas and then penetrating deeper with all the financial products
- Evaluate various market, credit parameters using data analytics on credit growth, consumption and saving dynamics, delinquencies, customer growth, deeper penetration and cross selling opportunities and use publicly available metrics including household information, population, economic activities, and deposit data
- Continue expansion on secured loan portfolio

FY24 Highlights

18.75%

Growth in Loan Book (5-year CAGR)

Loan Book (in ₹ crores)



SDGs Impacted

8 DECENT WORK AND ECONOMIC GROWTH



STRATEGY 2

Elevating Our Liability FRANCHISE

One of our key strengths is our granular retail-focussed deposit base. We have been able to leverage the strength of our brand to rapidly grow our deposit portfolio since we commenced operations as an SFB.

Background

Since 2016, we have relied on enhancing our retail deposits. This is because they have a lower cost compared to wholesale deposits and are more likely to stay deposited with the Bank over a longer period compared to wholesale deposits. Our retail focus enables us to maintain high levels of CASA.

Aim

- Deepening existing relationships
- Maintaining high levels of CASA



Stakeholders Impacted

Customers

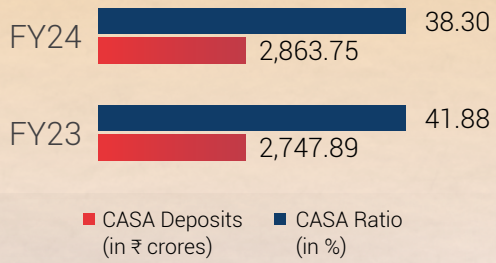
FY24 Highlights

₹ 40.06

Crores

Retail Deposits per Branch

CASA



FY25 Priorities

- Continue to target new and existing customers to source retail deposits by cross-selling our deposit products to customers who do not have a deposit account
- Offer additional benefits to existing CASA account holders by focussing on providing high-level customer service across all channels
- Penetrate into existing geographies and expanding into new ones to serve the target customer segments
- Focus on 'phygital' distribution of our products and services to cater the banking needs of rural and semi-urban population including an optimum mix of physical and digital presence to scale our operations in a profitable manner
- Leverage and enhance our brand to build our presence in the banking sector
- Enhance trust and recognition by relationship-based banking, customer engagement practices and holistic product offerings
- Focus on newly set-up government and institutional banking group to service the banking needs of more central and state government departments and agencies as well as co-operative banks, NBFCs, and public trusts
- Flourish Liability Franchise with focus on low cost stable deposit base along with keep all options open to build bulk deposit base and avail refinance at attractive rates



SDGs Impacted



STRATEGY 3

Building Brand Loyalty FOR A BRIGHTER FUTURE

Our objective is to build brand awareness and create an identity as the 'trusted and preferred' banking partner among customers. We focus on establishing relationships and creating a community connect to build trust and credibility.

Background

Our strategy is interwoven with our business model and customer connect philosophy. It is multi-dimensional and considers our multiple distribution channels. We have a contiguous branch network with deep penetration in geographies where we operate, with special emphasis on rural and semi-urban areas.

Aim

- Acquiring new customers
- Strengthening relationships with existing customers

Stakeholders Impacted

Customers | Employees | Media

FY24 Highlights

- Leverage digital platforms such as our social media handles, websites, and other online platforms, and offline media, such as outdoor displays, newspaper advertisements and radio
- Launch campaigns and undertake different activities to increase brand visibility and awareness of our products and services in the communities we serve
- Focus on broad areas: brand building, and lead generation activities, both through digital and other means
- Carry forward the legacy of relationship banking and optimise opportunities of Primary Banking

FY25 Priorities

- Scale up new branch opening
- Extend presence into contiguous states and intensifying penetration in current markets
- Open targeted branches in urban/metro areas to grow our business therein
- Ensure data-driven decision-making to help in opening additional branches and offer better returns and lower risk
- Strengthen customer engagement through digital channels and increase the share of cashless transactions

SDGs Impacted





STRATEGY 4

Strengthening Operational and PROFITABILITY METRICS

Our solid foundation is built on our commitment to strengthening both our financial and operational aspects. We have strategically identified key domains and relentlessly strive to enhance our capabilities and drive efficiencies. By pursuing excellence in these areas, we aim to continuously improve and stay ahead of the curve.

As a financial enterprise primarily focussed on credit products to enter new markets, we have diligently monitored growth metrics to ensure we remain strong as we pursue greater aspirations. This approach has not only expanded our customer base but also strengthened our financial position, setting the stage for sustained growth and a robust loan book.

Background

We have built a retail-centric business model where advances are primarily funded by stable and low-cost retail deposits. This provides us with the opportunity to grow our advances and improve efficiency. We enter into partnerships with business correspondents in the states in which we do not have a strong presence for credit sourcing. This helps us in gaining an understanding of newer markets.

Aim

- Accelerating the credit-to-deposit ratio to enhance NIM
- Improving operating efficiency through scaling & increasing proportion of matured branch mix
- Leveraging bancassurance channel partners to expedite cross-selling opportunities

Stakeholders Impacted

Customers

Shareholders

FY24 Highlights

₹154.90 crores
Operating Profit

₹111.53 crores
PAT

₹148.21 crores
PBT

1.27%
ROA

FY25 Priorities

- Expand our loan book in new locations
- Target to increase revenue from our existing clientele
- Optimise business mix to improve risk-adjusted returns
- Generate fee income from our products and services
- Cross sell third-party products
- Focus on bancassurance channels to distribute various types of insurance products to existing customers
- Increase our CD ratio to uptick profitability

SDGs Impacted





Promising Digital Empowerment FOR OUR CUSTOMERS

As a pioneering financial institution, we recognise the transformative potential of technology in enhancing financial inclusion and accessibility. Our strategic focus on delivering digital empowerment to our customers underlines our dedication to providing seamless, efficient, and secure banking experiences.

Personalised Data-Driven Processes

We leverage technology to streamline our customer onboarding process and enhance our data management capabilities, thereby driving our business growth. Our omni-channel integrated solutions ensure a seamless banking experience across all touchpoints, including our website, internet banking, and mobile application.

We are committed to harnessing the power of AI and machine learning across various operations. Our initiatives include utilising these technologies for:

- Credit Monitoring
- Credit Assessment
- Loan Origination
- Cross-Selling of Products

Transforming Customer Experience

To deepen customer engagement through digital channels, we are focussing on several key initiatives:

- Leveraging data-driven insights to offer customised solutions, ensuring that our services are tailored to meet the unique needs of each customer
- Developing alternate digital channels to enhance our customer outreach, including self-service portals/kiosks and host-to-host API-based tax payments
- Transitioning towards digital onboarding of customers, with a specific focus on targeting millennials to expand our customer base
- Exploring new delivery channels and strengthening existing ones such as ATMs and internet banking
- Facilitating all transactions digitally through dedicated customer-facing mobile application

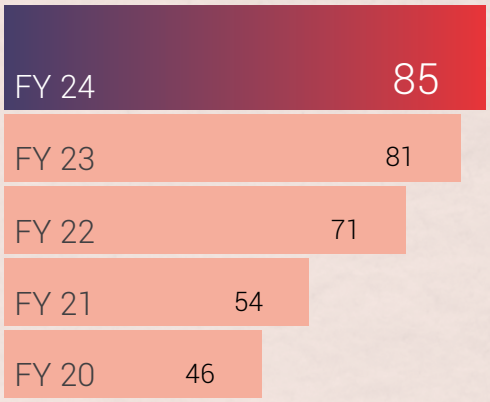


Empowering Ourselves with Technology

We are focussing on investing in augmenting our technology infrastructure to ensure that our operations are nimble and efficient to service our customers in an economical manner.

- Promoting cashless banking
- Deepening automation and are integrating with several technology service providers both on the origination as well as the credit assessment side
- Improving collections through warning systems
- Targeting and monitoring customers through data
- Take 'Phygital Banking' a step ahead for better customer orientation, product development, enhancing operational efficiencies, better asset quality, nurturing cross selling opportunities and bridging the geographical gap to serve more and more clients

Share of Digital Transactions in Non-Cash Transactions (in %)



We have seen a remarkable increase in the share of digital transactions within non-cash transactions, rising from 46% in FY20 to 85% in FY24. This significant growth reflects our successful digital transformation strategy and underscores our commitment to enhancing customer convenience and operational efficiency through advanced digital platforms.



Moving Towards
A GREENER FUTURE

Environmental sustainability is central to our operations. We recognise the profound impact that financial institutions can have on fostering a greener, more sustainable world. Our journey is driven by a comprehensive strategy that integrates environmental responsibility into every facet of our business.



We are committed to taking responsibility for our environmental impact and recognise that reducing our carbon footprint is crucial for sustainable development.

Minimising waste generation is a primary focus for us. To achieve this, we promote digital communication with all our stakeholders, including customers. This helps us to significantly reduce paper usage and other waste. Our various digital solutions enable customers to perform transactions and access information online, effectively decreasing the need for paper-based processes.

We also prioritise the responsible disposal of e-waste, understanding its potential harm to the environment and human health. By partnering with vendors registered with the pollution control board, we ensure proper segregation and disposal of electronic waste. Our careful handling of e-waste guarantees that it is recycled in an environment- friendly manner.

Additionally, we install water purifiers, tube wells, and handpumps for clean drinking water, promote healthcare with treatment for the underprivileged and preventive health camps, and organise food distribution events. Addressing these crucial needs helps us to work towards a better society.

We believe it is our duty to preserve the environment for the future generations. Therefore, we will continue to prioritise sustainability in all our operations, embedding it into the core of our business practices.

Digital communications and solutions – reduced paper usage

Working with vendors registered with pollution control board (PCB)



Driving Social Change and A PROMISING FUTURE

We believe in the transformative power of banking to drive social change. Our mission extends beyond financial inclusion, to uplifting communities, empowering individuals, and fostering sustainable growth. By offering tailored financial products and services, we address the unique needs of the underserved and underbanked segments, particularly in rural and semi-urban areas.



Serving the Underserved

We are committed to social responsibility and sustainability by serving customers across all sectors, with a particular focus on providing banking services to individuals in underserved and unbanked areas. By doing so, we contribute to economic development by providing essential capital to SMEs, supporting entrepreneurship, and fostering job creation.

Our products, such as those for agriculture, MSME and trading, mortgage lending, and other sectors, are designed to be easy to understand. This approach has helped us acquire and satisfy more customers, ensuring that our banking services are accessible and beneficial to all.

75.71%

Branches in Rural and Semi-Urban Areas

25.99%

Total Branches in Unbanked Rural Centres (URC)

Customers

At Capital SFB, we emphasise on engaging with customers throughout their journey by leveraging the expertise of our relationship managers and personal and retail bankers stationed across our branches. We proactively seek and act on 360-degree feedback from customers to ensure that our products and services align with their needs.

To facilitate this, we have established a Standing Committee on Customer Service that meets quarterly to review customer feedback and grievances. All suggestions and complaints are duly recorded and addressed in subsequent meetings, with progress shared through an action-taken report. This process helps us continuously improve our offerings and provide exceptional service to our customers.

6,121

New Loans Disbursed in URC and Rural Branches

₹430.02

crores

New Loans Disbursed in URC and Rural Branches

9,186

New Loans Disbursed in Agricultural Sector

₹528.93

crores

New Loans Disbursed in Agricultural Sector

2,046

New Loans Disbursed in the MSME Sector

₹277.40

crores

New Loans Disbursed in the MSME Sector

30,323

accounts

New Deposits in URC and Rural Branches

₹683.10

crores

New Deposits in URC and Rural Branches

Employees

Our commitment to our employees extends beyond accelerating their career growth. We prioritise their holistic development by offering opportunities for on-the-job learning and upskilling. This helps advance their career trajectories and ensures their overall well-being through competitive compensation and benefits. This includes health insurance, retirement plans, and an ESOP pool, enabling them to generate wealth as the organisation grows.

We believe in fostering a transparent work environment with open communication channels throughout the Bank to promote a conducive workplace culture. Creating a safe and suitable working environment is a priority for us, and we uphold ethical practices and respect human rights across all our operations. Our investment in our employees' professional and personal growth reflects our belief that they are our greatest asset.

- On-the-job learning and upskilling
- Transparent work environment with open communication

Equal Working Opportunities

We focus on generating employment opportunities that leverage the skills and talent of the local community while attracting qualified candidates. Our hiring efforts aim to equip individuals with the skills needed on the job, providing them with the necessary resources to succeed.

We are deeply committed to the economic empowerment of women. We strongly advocate for equal pay for equal work and invest in our female workforce by providing opportunities for upskilling and career advancement. Our focus on creating an inclusive and supportive workplace for women has been recognised, making us a preferred employer for female recruits. This has also helped us better understand and serve the needs of our female clients, bringing financial inclusion to their lives.

Our commitment to promoting gender equality not only benefits our business but also contributes to creating a more equitable and just society. We believe that empowering women economically is not just the right thing to do, but also leads to a more prosperous and sustainable future for all.

₹1.65 **crores**

Employee Insurance

Human Capital

(as on March 31, 2024)

Male Employees **1,435**	Graduates and below **999**
Female Employees **441**	Post Graduates **877**



A glimpse of CEO Club 2023 to Baku

Community Development

At Capital SFB, our mission is to finance dreams and enhance livelihoods. We are dedicated to improving the economic and social status of underprivileged and underserved communities in low-income regions. We firmly believe that everyone, regardless of socio-economic background, deserves equal opportunities. Our unwavering commitment is to empower individuals and foster self-sufficiency.

As we expand into new territories, we remain steadfast in our core principle: to champion sustainability in ways that positively impact people, the environment, and society. Through our diverse initiatives and operations, our goal is to create meaningful change in the communities we serve.

- Through the management of education centres, we help create a more skilled workforce and equip underprivileged children with the tools they need to succeed
- By promoting sports, we encourage a healthy lifestyle while fostering teamwork and leadership skills
- Our healthcare improvement efforts aim to create healthier communities and reduce the burden of preventable diseases

We believe that by investing in these areas, we are making a positive impact on society and contributing to a brighter future for all.



Steering Towards Excellence and A PROMISING TOMORROW

We are dedicated to fostering a culture of responsibility, transparency, and ethical conduct. To achieve this, we have implemented a comprehensive corporate governance framework that includes various policies and procedures.

Strong Policies in Place

These include our Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy, Prevention of Sexual Harassment Policy, Staff Accountability Policy, Whistleblower Policy, Employee Separation Policy, Anti-Money Laundering Policy, and more. These policies guide our employees and stakeholders in upholding the highest standards of integrity and ethics, ensuring that we always conduct our business ethically and responsibly.

Internal Control Mechanism

We have implemented a stringent internal control mechanism to ensure adherence to statutory compliances and governance protocols. Recognising the need for these mechanisms to be robust and adaptable to our evolving business requirements, we have an internal auditor in place to regularly scrutinise and assess these protocols. This proactive approach allows us to identify and address any discrepancies or weaknesses immediately, ensuring that our business processes are always aligned with our governance standards.

Moreover, we understand the importance of staying updated with evolving business conditions. Therefore, we regularly review our internal control mechanisms and governance protocols, making necessary adjustments to ensure they remain relevant and effective.

Open Communication

We maintain an open and continuous communication channel with regulators to ensure compliance with all regulatory requirements. Our proactive approach allows us to stay ahead of any potential issues, ensuring that the Bank remains compliant with all relevant regulations.





Nurturing Trust and TRANSPARENCY

Our ability to deliver and maintain high standards hinges on our continuous engagement with our customers, employees, vendor-partners, associates, and esteemed government bodies. We maintain an ongoing process of engagement with all our key stakeholders, including our communities.

Our stakeholders are instrumental in providing us with valuable feedback, insights, and perspectives that help us make informed decisions and improve our performance. By engaging with them, we can better understand their expectations, concerns, and priorities, and align our efforts to meet their evolving needs.

Stakeholders	Needs and Expectations of Our Stakeholders	Mode of Engagement	KPIs
Investors	• Ethical business practices and good corporate governance • Regular dividends • Sustainable performance and value creation • ESG integration into strategy and operations • Transparent reporting and disclosure	• Annual and quarterly • Investor meets/calls • Investor presentations • Annual General Meeting • Investor grievance channels • Annual Report • Sustainability Report	• Credit rating • Assets under Management • Net profit
Business Partners/ Suppliers	• Fair and ethical procurement and engagement practices	• Regular meetings, seminars, and workshops	• Timely payments • Share of procurements from MSMEs
Employees	• Training and development • Fair and timely remuneration • Reward, recognition, and appreciation of performance • Diverse, open, non-discriminatory, and safe working environment • Work-life balance	• Town halls • One-on-one meetings • Training and development workshops • Engagement initiatives • Learning through online modules • Digital apps for employees and collection officers • Performance appraisals	• Number of training hours • Awards received • Diversity in workforce • Number of appraisals and reviews conducted



Stakeholders	Needs and Expectations of Our Stakeholders	Mode of Engagement	KPIs
Local Communities	▸ Social upliftment ▸ Enhancing financial literacy ▸ Community welfare initiatives	▸ Financial inclusion and literacy initiatives ▸ Focus on health, education, livelihood, and poverty alleviation ▸ Employee volunteering	▸ Number of beneficiaries ▸ Number of families supported ▸ Amount spent towards CSR ▸ Current welfare initiatives in operation
Customers	▸ Bespoke financial products and services ▸ Competitive interest rates ▸ Access to physical and digital channels ▸ Seamless customer service ▸ Secure transactions ▸ Fair and responsive grievance redressal mechanism	▸ Ongoing and regular engagement through emails, calls, SMS, WhatsApp, branches, and relationship managers ▸ Social media communication ▸ Marketing campaigns ▸ Customer satisfaction surveys	▸ Number of products offered ▸ Number of loans disbursed ▸ Number of families supported ▸ Number of branches ▸ Number of customers ▸ Number of customers added in the year
Regulatory Authorities	▸ Compliance with laws and regulations ▸ Ethical business ▸ Active participation in industry and regulatory working groups	▸ Mandatory regulatory filings ▸ Periodical submission of business performance ▸ One-on-one or group meetings ▸ Written communications	▸ Liquidity ratio ▸ Number of customer grievances addressed ▸ Contribution to exchequers

Awards and RECOGNITIONS



Honoured with
BFSI Best Brands 2024



Received the LACP Vision Awards
Platinum Winner Worldwide in 2023



Bestowed with the LACP Vision Awards
Platinum- Technical Achievement Award in 2023



Honoured with the LACP Vision Awards Top
100 Reports Worldwide in 2023



Great Place To Work. Certified
AUG 2023-AUG 2024
INDIA

Received the Great Place to
Work certification in 2023

Corporate INFORMATION

Chairman (Part-Time)
Mr. Navin Kumar Maini

Managing Director & Chief Executive Officer
Mr. Sarvjit Singh Samra

Executive Director
Mr. Munish Jain

Chief Financial Officer
Mr. Aseem Mahajan

Company Secretary
Mr. Amit Sharma

Directors

Mr. Navin Kumar Maini
Mr. Sarvjit Singh Samra
Mr. Munish Jain
Mr. Dinesh Gupta
Mr. Mahesh Parasuraman
Mr. Srinath Srinivasan
Mr. Balbir Singh
Mr. Gurpreet Singh Chug
Ms. Rachna Dikshit
Mr. Kamaldeep Singh Sangha
Mr. Sukhen Pal Babuta
Mr. Sham Singh Bains
Mr. Nageswara Rao Yalamanchili

Statutory Auditor
S C V & Co. LLP
Chartered Accountants
505, 5th Floor,World Trade Tower B,
C -1, Sector 16, Noida – 201301

Secretarial Auditor
Deepak Arora & Associates
Practicing Company Secretaries
23 KA 4 JYOTI NAGAR, NEAR
VIDHAN SABHA,
JAIPUR, RAJASTHAN – 302005

RTA
Link Intime Private Limited
C- 101, 1st Floor, 247 Park
Lal Bahadur Shastri Marg
Vikhroli (West) Mumbai – 400083

Debenture Trustee
IDBI Trusteeship Services Ltd.
Universal Insurance Building,
Ground Floor, Sir P.M. Road,
Fort, Mumbai – 400001

NSDL
National Securities Depository Limited
Trade World, Wing, 4th Floor
Kamla Mills Compound, Lower Parel
Mumbai – 400013

CDSL
Central Depository Services (India) Limited
Marathon Futurex, Mafatlal Mill Compounds
A- Wing 25th Floor, NM Joshi Marg
Lower Parel (East)
Mumbai – 400013

Registered Office
MIDAS Corporate Park
3rd Floor, 37, G.T. Road
Jalandhar – 144001 Punjab

Stock Exchanges where Company's Securities are listed
BSE Limited
(Scrip Code: 544120 and
Debt: 951995 & 953739)
National Stock Exchange of India Limited
(Symbol: Equity - CAPITALSFB)

Corporate Identity Number
L65110PB1999PLC022634

Contact Us:
Website: www.capitalbank.co.in
E-mail: investorrelations@capitalbank.co.in

(Mr. Munish Jain ceases to hold CFO position wef April 24, 2024)
(Mr. Aseem Mahajan was appointed as CFO wef April 24, 2024)

M

D

A



Management Discussion and Analysis

Indian Economy

India's economy has shown remarkable resilience and consistent growth despite global economic challenges in recent years. This strong trajectory is supported by growth-oriented policy measures and the recovery of the private sector. Poised for economic progress, the country benefits from major investments in emerging sectors, demographic advantage, the rise of middle-income group, continued government spending, and enhanced efficiency through digitalisation and infrastructure upgrades. In FY24, India's economy experienced robust expansion. The outlook is positive for the next fiscal year with the GDP growth expected to moderate slightly to 7.0% but still fastest in the world. This relative slowdown can be attributed to higher base effect, higher interest rates and a tight fiscal policy aimed at reducing the fiscal deficit to 4.5% of GDP and tame inflation under 4% over the medium term. Despite these challenges, India's economic vibrancy is supported by several factors. These include increased consumer purchasing power due to expected increased per capital income, increased spending by rising middle income group, strong agricultural outputs, and pick up in private investment cycle. Additionally, government initiatives to boost rural incomes, revolutionise agriculture sector and enhanced infrastructure spending reinforce India's position as the world's fastest-growing major economy.

8.2%

Growth of Indian Economy in FY24

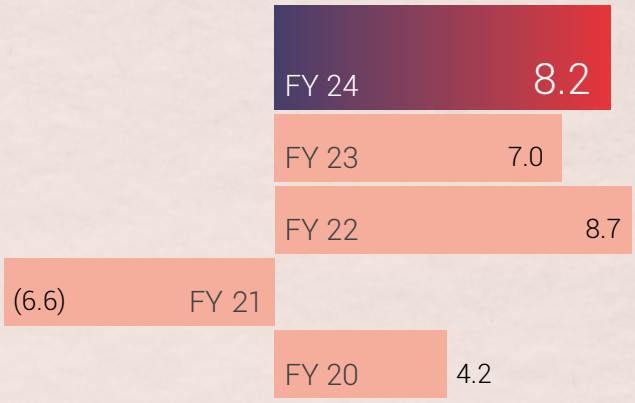
Source

https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2010223#:~:text=The%20growth%20rate%20of%20GDP,growth%20rate%20of%209.1%20percent

https://economictimes.indiatimes.com/news/economy/indicators/indias-gdp-grows-7-8-per-cent-in-q4fy24-growth-pegged-at-8-2-per-cent/articleshow/110595616.cms?from=mdr



Indian Economy Real GDP Growth Rate (in %)



Source

https://economictimes.indiatimes.com/news/economy/indicators/indias-gdp-grows-7-8-per-cent-in-q4-fy24-growth-pegged-at-8-2-per-cent/articleshow/110595616.cms?from=mdr

During FY24, there was a significant rise in foreign investments in Indian Government bonds, indicating a strong global belief in India's economic future. On April 5, 2024, India's foreign exchange reserves had reached a record high of US$ 648.56 bn from US$ 645.6 bn (for the week ending March 29, 2024) marking an increase of US$ 2.98 bn. In September 2023, JPMorgan had announced that it would include India in its emerging market bond index starting in June 2024. Soon after, in March 2024, Bloomberg made its own announcement of India's inclusion into its EM Local Currency Government indices depicting green light for global investors to take a keen interest in India. This not only vouches for India's macro stability but also diversifies the investor base, injecting dynamism into India's capital market. On May 29, 2024, S&P Global Ratings revised its outlook on India to positive from stable. These are landmark developments for India to realise its dream of becoming a developed economy by 2047, the centenary of independence. It will go a long way to attract private capital, to stay competitive and provide a high standard of living to its people.

Source

https://economictimes.indiatimes.com/news/economy/indicators/indias-forex-reserves-up-by-2-98-bn-to-hit-fresh-peak-of-648-56-bn/articleshow/109247363.cms?from=mdr

Since April 2023, the Monetary Policy Committee (MPC) has maintained policy rates unchanged at 6.50%, indicating a stable interest rate regime. The full impact of previous rate hikes is yet to be fully reflected in the cooling effect on inflation. With stable government and regulatory policies, a good monsoon, base effect, and reduced supply-side constraints, inflation is on a downward trend. The MPC is committed to bringing inflation within the medium-

term target of 4% before adjusting interest rates. Over the past year, the focus has been on the withdrawal of accommodation. As inflation moderates, foreign inflows are poised to increase, supported by inclusion in the emerging market bond index, which bodes well for bond investments and foreign inflows over the medium term.

Source

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57735

India's exports rose to US$ 395 bn during April 2023 to February 2024 demonstrating growth despite challenges such as the Red Sea crisis, tight monetary policies in developed countries, and increasing commodity prices. This growth highlights the resilience of the exporting community, which has consistently overcome adversities, including those arising from the Russia-Ukraine war.

Source

https://www.livemint.com/economy/indias-exports-likely-to-reach-450-billion-in-2024-despite-red-sea-linked-disruption-says-fieo-prez-11710850840551.html

Additionally, the Interim Union Budget FY25 has the guiding principle of 'Sabka Saath, Sabka Vikas, and Sabka Vishwas' and the nationwide approach of 'Sabka Prayas.' It focuses on the upliftment of four major segments: the 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth), and 'Annadata' (Farmer). The 2024-25 budget has laid out a comprehensive roadmap for achieving 'Viksit Bharat,' focusing on balanced growth across key sectors such as agriculture, employment and skill development, and inclusive human resource development. It emphasises support for the middle-income segment, boosting consumption, manufacturing, and infrastructure, with a particular focus on MSMEs. The budget also highlights energy, innovation, and research and development as pivotal areas for next-generation reforms. Importantly, it maintains overall fiscal discipline, reducing the fiscal deficit estimate for FY25 to 4.9% of GDP, with a target to keep it below 4.5% by FY25-26, while steering clear of populist measures. The Government is also planning to revamp various schemes such as FAME and Smart Cities Mission, which are expected to be reintroduced. Policies such as PM GatiShakti, the National Logistics Policy, and the Production Linked Incentive (PLI) aimed at stimulating manufacturing production, coupled with the expansion of public digital platforms, are continuing to drive economic growth. In rural areas, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has played a crucial role in creating employment opportunities. Initiatives such as PM-Kisan and PM Garib Kalyan Yojana have also been pivotal in ensuring food security nationwide.

Source

https://pib.gov.in/PressReleasePage.aspx?PRID=2001130

Outlook

India is tagged as one of the fasted growing economy in the world. The Indian economy is set to experience substantial growth in the coming years, with projections suggesting it could reach the US$ 7 tn mark by CY31. This solidifies its position as the world's third-largest economy. This growth will be driven by improvements in capital and productivity, facilitated by the comprehensive integration of digital and physical infrastructure. The manufacturing sector is expected to undergo a resurgence, benefitting from global opportunities, domestic policy support, and a focus on transitioning to green energy, upcoming of rural and semi-urban areas, agricultural revolution and entrepreneurial cult.

The rise of the digital economy has sparked transformative changes across various sectors in India, driving modernisation and innovative ways for businesses to connect with consumers. India has leveraged its strong technological capabilities to develop sophisticated products tailored for its vast consumer base. Government policies have played a crucial role in encouraging innovation by establishing essential infrastructure and ensuring security and responsiveness. Several government initiatives like Make in India, ease of doing business etc are going a long way in redefining growth trajectory of India.

Source

http://timesofindia.indiatimes.com/articleshow/109248603.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

A robust financial sector is essential to achieving ambitious national goals. There are positive signs in asset quality, with non-performing asset (NPA) levels decreasing across banks and loan categories. Retail credit, especially personal loans, has seen significant growth, now accounting for one-third of all loans. This marks a substantial increase from less than one-fifth a decade ago.

The banking sector saw reforms aimed at strengthening governance, improving asset quality, and enhancing transparency. The Indian stock markets displayed robust performance during FY24. The IPO market in India saw heightened activity to raise funds. Alternative investments such as mutual funds, ETFs (Exchange-Traded Funds), and venture capital gained traction among retail and institutional investors. Foreign institutional investors (FIIs) and foreign portfolio investors (FPIs) remained significant participants in Indian capital markets.

FY24 marked a dynamic period for India's financial markets, characterized by robust activity, regulatory reforms, investor diversification, and sector-specific growth trajectories. These developments underscored India's ongoing efforts to strengthen its financial infrastructure, promote inclusive growth, and adapt to global economic dynamics during FY24.

Source

https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2010223#:~:text=The%20growth%20rate%20of%20GDP,growth%20rate%20of%209.1%20percent

Banking Sector

India's banking sector has shown improvements, as reflected in the positive assessments of the bank operating environments in the country. This highlights the resilience and potential of the country's banking sector, supported by strong internal mechanisms and the status of domestic systemically important banks. The banking, financial services, and insurance (BFSI) sector in India has always played a crucial role in economic development. It serves as a key player in capital allocation, risk management, and the promotion of financial inclusivity.

The Indian banking industry has experienced stronger credit offtake due to multiple factors, including a swift economic recovery from COVID-19 disruptions, entrepreneurial growth, and increased private investment and consumption. However, deposit mobilisation has been lackluster due to decreasing savings, alternative investment avenues, and a growing equity culture. This has led to aggressive pricing of deposits, with banks chasing price-sensitive deposits, resulting in higher costs of deposits and falling net interest margins (NIMs).

In FY23, credit off-take stood at around 16%, rising to over 20% in FY24, while the deposit growth has been approximately 13%. As of December, 2023, retail loans account for about 34% of total credit outstanding, while industry and services constitute 29% and 24%, respectively. Credit growth had trailed deposit growth in FY21 and FY22 but picked up in FY23 and FY24, surpassing deposit growth. Consequently, the credit-to-deposit (CD) ratio has increased to around 81% in FY24, with private sector banks showing a higher ratio at approx. 94% compared to around 74% for public sector banks.

Source

https://timesofindia.indiatimes.com/business/india-business/drop-in-home-loan-demand-hits-q2-retail-credit-growth/articleshow/107469676.cms



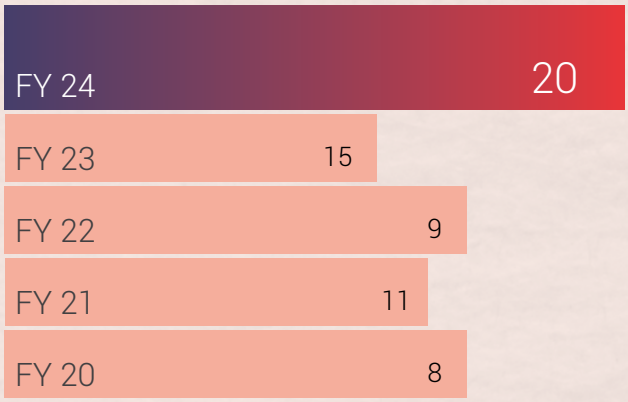
Despite robust credit demand, deposit growth has not kept pace with loans, resulting in a significant increase in the overall loans-to-deposits ratio. In January, 2024, credit to the industry expanded by 7.8% y-o-y, down from the 8.7% growth recorded in January, 2023. Similarly, non-food bank credit grew by 16.2% y-o-y in January, 2024, compared to 16.7% in the previous year. On the other hand, credit to MSMEs experienced a notable surge, with a y-o-y growth of 20%, indicating improved lender confidence and increased credit availability to this sector. Even as credit demand remains healthy, banks' ability to mobilise deposits will largely decide the pace of credit growth in the FY 25. Deposits may grow in the vicinity of 10% and advances may rise 11.5%-12.5% in FY25, lower than FY 24. While credit demand and opportunity exist, the incremental credit-deposit ratio of nearly 100% effectively means that deposit mobilisation will be key for credit growth in the Indian market.

Source

https://economictimes.indiatimes.com/small-biz/sme-sector/how-gst-ensured-fast-credit-growth-to-msmes/articleshow/109449936.cms?from=mdr

https://www.financialexpress.com/business/banking-finance-deposit-mobilisation-to-drive-banks-credit-growth-icra-3527632/)

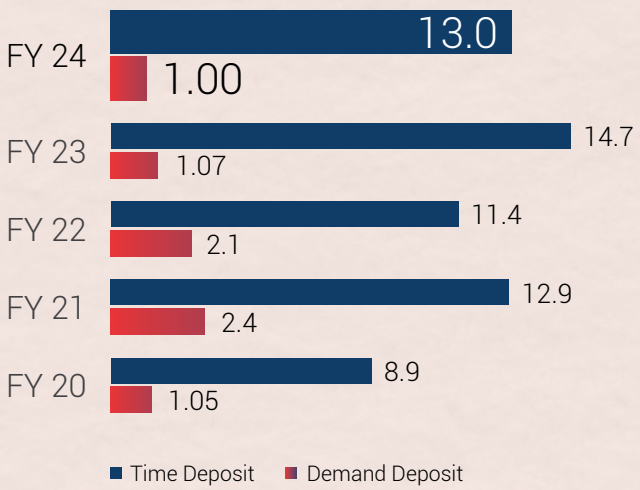
Credit Growth (%)



Source

https://www.business-standard.com/industry/banking/high-gap-between-credit-deposit-growth-to-impact-loan-sales-nims-report-124030400907_1.html

Bank Deposit Growth (%)



Source

https://www.thehindubusinessline.com/money-and-banking/gap-between-credit-and-deposit-growth-widens-rbi/article67777253.ece

The banking sector's headline metrics are expected to continue improving due to controlled net additions (net of recoveries and upgrades) to NPAs and strong credit growth. As per projections by ICRA, gross NPAs (GNPAs) and net NPAs (NNPAs) declined to 2.8-3.0% and 0.8-0.9%, respectively, in March, 2024. This is in comparison to 3.9% and 1.0% as of March 31, 2023, marking the best levels in over a decade.

Source

https://www.icra.in/Rating/DownloadResearchSummaryReport?id=5362

Another key trend shaping the future of the Indian banking sector is the increasing adoption of digital technologies. Banks are leveraging technologies like AI, ML, and Big Data analytics to enhance customer experience, reduce costs, and improve operational efficiencies. They are also investing heavily in digital technologies and building robust cybersecurity frameworks to ensure the security of customer data and transactions. Banks are collaborating with Fintech companies to offer innovative products and services, leading to further evolution of the traditional banking system. Fintech-enabled payment options such as UPI, Buy Now Pay Later (BNPL), and the Central Bank Digital Currency (CBDC) will drive the growth of digital payments in India in the short and medium term.

Outlook

As CY24 unfolds, the Indian banking sector anticipates a favourable outlook. Stable interest rates, a robust GDP, and declining inflation are expected to positively influence lending and deposit activities. Emphasis on technology and infrastructure investments opens new avenues for growth.

However, the road ahead is not without challenges. Global economic uncertainties, potential interest rate adjustments, and the persistent threat of intensified competition from FinTech entities remain key considerations. Moreover, it is imperative to ensure robust cybersecurity measures in an increasingly technology-dependent environment.

As the Indian banking sector navigates these challenges, its continued success hinges on strategic planning, innovative adaptation, and prudent risk management. Building on the sturdy foundation laid in FY24, the sector aims for sustained progress and adaptability, defining its narrative in the years to come. The sector's resilient foundation—marked by strengthened asset quality, robust capitalisation, and sustained profitability—positions it well to navigate uncertainties. With a keen focus on innovation, adaptive strategies, and prudent risk management, the Indian banking sector aims for a future characterised by sustained progress and resilience.



Small Finance Banks

In 2013, the RBI established a committee to advance their goal of financial inclusion. Chaired by Ms. Usha Thorat, the committee recommended the creation of a new type of banking entity known as small finance banks (SFBs). On November 27, 2014, the RBI issued guidelines for these SFBs, aimed at meeting the diverse needs of low-income groups. Subsequently, on September 16, 2015, the RBI granted licenses to 10 entities to operate as SFBs.

The rise of SFBs reflects the RBI and Government's commitment to advancing financial inclusion nationwide. These banks have broadened access to a plethora of financial products and services for segments of the population previously underserved or unserved. Specialising in key areas—Small Business Loans (SBL), MSME Finance, Vehicle Finance, Microfinance, and Affordable Housing Loans—SFBs have carved out a niche in providing financial solutions to the low-income, self-employed sector.

SFBs have substantial opportunities to expand their market share through specialised offerings and targeted services to the underbanked. As these SFBs continue to leverage their stronghold and experience in rural and semi-urban regions, their market share is expected to increase compared to public and private sector banks. This presents a significant opportunity for SFBs to deeply penetrate these regions, ultimately advancing financial inclusion and offering comprehensive banking services to underserved populations.

Source

https://www.credable.in/insights-by-credable/business-insights/credit-for-the-underserved-addressing-the-massive-dollar-five-hundred-thirty-billion-msme-credit-gap/

Advances of SFBs registered a CAGR of 32% from CY20 to CY23, compared to a CAGR of 11% for the banking sector as a whole. While SFBs have increased their market share in the banking industry's advances in recent years, there is plenty of scope to raise it further. They have placed a strong focus on building a liability franchise comparable to universal banks, offering relatively higher interest rates to depositors. This strategy has resulted in SFB deposits growing faster than the banking industry, at a CAGR of 32% from FY20 to FY23, compared to a CAGR of 11% for banking sector deposits.

Source

https://www.careratings.com/report/small-finance-banks-geared up-for-growth-as-credit-cost-woes-fade

Growth Drivers for Small Finance Banks

Improved Economic Landscape

Post-Covid economic recovery has decreased delinquencies and credit costs, improving profitability of SFBs. Government initiatives focused on financial inclusion and development in rural and semi-urban areas to further benefit SFBs.

Geographical Expansion

By expanding their branch network, SFBs can cater to the financial needs of unbanked and underbanked populations in new regions. Utilising digital banking solutions can further enhance accessibility and reach in geographically dispersed areas. SFBs have been expanding their franchise continuously.

Diversification of Loan Portfolio

Offering a wider range of loan products allows SFBs to cater to a broader customer base and reduce risk by not overtly relying on microfinance. Diversification helps SFBs manage their risk profile by spreading their loan portfolio across different asset classes. There has been a gradual diversification of portfolios by SFBs with an increasing share of secured products like Home Loans, Vehicle Loans, MSME and Gold Loans resulting in the share of microfinance declining from 40% of advances as on March 31, 2020 to 32% as of March 31, 2023 for the SFB industry. SFBs with diversified loan portfolio are at a significant advantage as compared to others.

Improved Asset Quality



Implementing stricter credit appraisal processes and robust loan monitoring can further improve asset quality for SFBs. Providing financial literacy and loan repayment assistance programmes can help borrowers manage their debts effectively and reduce delinquencies.

Stronger Capital Base



Increased equity infusions allow SFBs to maintain regulatory capital adequacy ratios and support loan growth.. From FY23 onwards, capitalisation levels have improved as profitability returned, capturing investor interest, and enabling many SFBs to raise equity. With the availability of capital, SFBs are now positioned to grow their advances book even faster than in previous years when there was a capital constraint.

Source

https://www.careratings.com/report/small-finance-banks-gearedup-for-growth-as-credit-cost-woes-fade#:~:text=With%20the%20resumption%20of%20economic,2.4%25)%20with%20fall%20in

Outlook

As the demand for financial inclusion continues to grow, the future of SFBs in India looks promising. The RBI has introduced a significant opportunity for SFBs with the 'Guidelines on Voluntary transition of Small Finance Banks to Universal Banks' (SFB Guidelines 2024). This framework allows SFBs to evolve into Universal Banks, offering a wider range of financial products and services to their existing customer base, potentially increasing satisfaction and loyalty. Additionally, SFBs can tap into new market segments beyond their current niche, fostering growth, diversification, and ultimately enhancing their overall competitiveness within the Indian banking landscape. Within SFB space, there are plenty of opportunities for growth.

SFBs have a significant untapped market to tap into. Moreover, with the Government's thrust on financial inclusion and the implementation of various schemes like the Pradhan Mantri Jan Dhan Yojana, SFBs have a ready market to cater to. These schemes have helped increase the number of bank accounts, especially among the rural and semi urban population. SFBs have the opportunity to capture a significant portion of this market by providing affordable and accessible financial products and services tailored to their specific needs.

The outlook for SFBs is very positive. As more and more Indians enter the formal economy, the demand for credit will continue to grow. SFBs are well-positioned to meet this demand by leveraging their niche market reach and their focus on financial inclusion. As the market in middle income group segment continues to grow especially in rural and semi-urban areas, SFBs are likely to emerge as dominant players in this space.

Capital Small Finance Bank

Capital Small Finance Bank Limited ('Capital SFB', 'We', 'The Bank') commenced operations as India's first SFB on April 24, 2016, following its conversion from a local area bank (LAB). Before this transformation, the Bank operated as the largest LAB for 16 years, serving five districts in Punjab. Initially starting with 47 branches at the time of conversion, the bank since expanded to 177 branches across five states in North India, namely Punjab, Haryana, Rajasthan, Delhi, and Himachal Pradesh, including the Union Territory of Chandigarh. The Bank has accomplished a landmark milestone in its journey with listing on Stock Exchanges and has successfully raised capital amounting to ₹523 crores, including a fresh issue of ₹450 crores through a well-received IPO and listed on February 14, 2024.

The Bank benefits from a sizable underserved middle income group segment specially in rural and semi-urban customer base that has outperformed urban areas in recent years. Our comprehensive portfolio includes both asset and liability products. On the asset side, we offer various loans for agriculture, MSMEs, and trading, along with mortgages. On the liability side, we provide a full range of products including CASA, Term Deposit, Recurring Deposit, and RERA Accounts, among others. Additionally, we offer services such as Lockers, Insurance, permissible foreign exchange services and 3-in-1 Demat cum Trading Accounts.

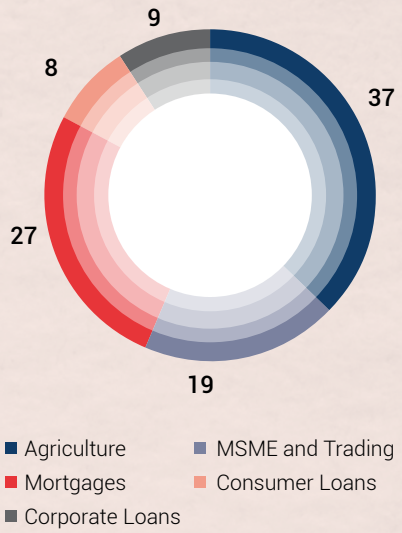
The Bank focuses on the middle-income group customer segment, with an average annual income ranging from ₹4 lakhs to ₹50 lakhs. The objective is to establish ourselves as the primary banker for this demographic. The Bank does not targets either the below poverty line customer segment or the super high-net-worth individuals.

The Bank operates on a branch-based model with a significant presence in semi-urban and rural areas. We employ contiguous branch expansion strategy by first combing and then carpeting i.e., first entering into major

business growth areas of a new geographies by offering loan products first and then expanding our presence deep in the close by territories as well as offering other products to meet all banking needs of our clientele under single roof. Our emphasis is more on deposits and cross selling other products after having built strong customer relationship. This approach ensures customer trust and encourages them to explore the full spectrum of our financial services.

The northern region of India, where we predominantly operate, presents substantial opportunities for business and retail customers. As a new-age SFB with over two decades of experience, we have earned goodwill through relationship-based banking, high-quality leadership, a committed and trustworthy human capital, and a comprehensive range of product offerings through physical and digital channels.

AUM Split (in %)



Business Overview

Advances

At Capital SFB, we demonstrated steady performance thereby maintaining our disbursements and achieving significant growth in our overall advance book. The Bank's loan book is nearly 100% secured, emphasising a focus on a granular retail asset portfolio. Our advances are primarily in agricultural, MSME, trading, and mortgage lending.

The Bank has consistently maintained granular secured loans, a strategy that continued through FY24. Our disbursements increased from ₹1,991 crores in FY23 to ₹2,068.12 crores in FY24, while Q4FY24 disbursement stood at ₹675 crores with QOQ growth of 76%. As of March 31, 2024, 99.86% of our loan book was secured, with 83.52% of loans secured with immovable properties and fixed deposits.

We have a well-diversified portfolio across products (agricultural, MSME and trading, mortgage lending and other products) which helps us to mitigate risk and optimise our resources. We focus on the middle-income group segment and aim to be the primary banker of our customers. We offer a complete range of products and services for both assets and liabilities to meet our customers' needs.

As of March 31, 2024, the average ticket size for our agriculture, MSME and trading, and mortgage lending products was ₹1.24 mn, ₹1.86 mn, and ₹1.17 mn, respectively.

Agriculture

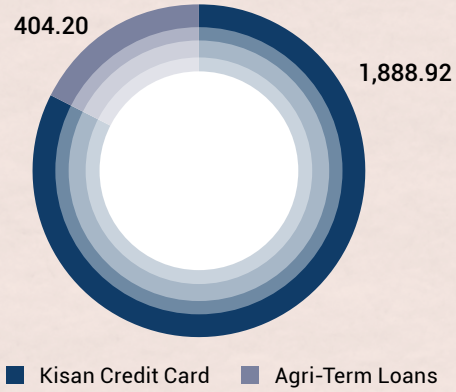
Agriculture and allied sectors play a crucial role in India's economy, providing the largest source of livelihood for over 50% of the workforce. They contribute significantly to the country's GDP, provide employment to a large portion of the population, and play a crucial role in ensuring food security. The sector also supports numerous allied industries, such as agro-processing, agri-inputs, and agri-exports, contributing to economic growth and rural development. Given its vital role, the Indian Government has implemented various policies and schemes to support farmers, enhance productivity, and promote sustainable agricultural practices thereby ensuring the sector's growth.

At Capital SFB, we have a longstanding commitment to prioritising agricultural financing. Traditionally, to align with pillars of advances, a large part of the Bank's loans has been disbursed on agriculture or related loans. Our agricultural loans primarily falls into two main categories: Kisan Credit Card (KCC), Agri-Term Loans. Our track record demonstrates a deep understanding of the agricultural business, with products and systems well-suited for this segment. We focus on only midsized agriculturalists who



typically own five acres of land or more. The crop loans provided by the Bank are designed to limit price risk, thanks to minimum guaranteed prices, ensuring better cash flows for farmers, especially in cases of higher production.

Agri-Finance (in ₹ Crores)





Financial Highlights FY24

37.23%
Share in Loan Book

₹2,293.12
Crores
AUM

₹0.12
Crores
ATS at Portfolio

₹528.93
Crores
Disbursements

₹0.11
Crores
ATS at Disbursements

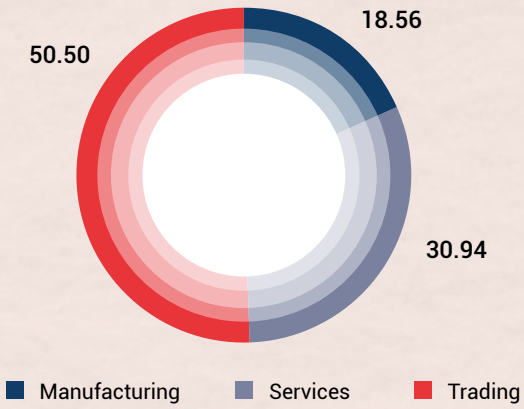
99.95%
Secured Portfolio

MSME and Trading

The MSME sector plays a pivotal role in the socio-economic fabric of India. It significantly contributes to the country's GDP and exports, while also fostering entrepreneurship, particularly in semi-urban and rural regions. MSMEs are also an important part of enabling India's 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). They drive job creation and economic growth. They are also key drivers of employment, decent jobs, and entrepreneurial opportunities for women, youth, and groups in vulnerable situations. MSMEs also have a critical role in closing the gender gap by ensuring the full and effective participation of women in the economy and society.

At Capital SFB, we serve the financing needs of our clients, catering to both short- and long-term requirements. Our loan products are tailored for small and medium-sized enterprises, small traders, and the service industry. While the Bank's primary focus is on providing working capital financing, we also offer other financial products such as machinery loans and project financing.

MSME Finance (in %)



Financial Highlights FY24

19.18%
Share in Loan Book

₹1,181.58
Crores
AUM

₹0.19
Crores
ATS at Portfolio

₹277.40
Crores
Disbursements

₹0.15
Crores
ATS at Disbursements

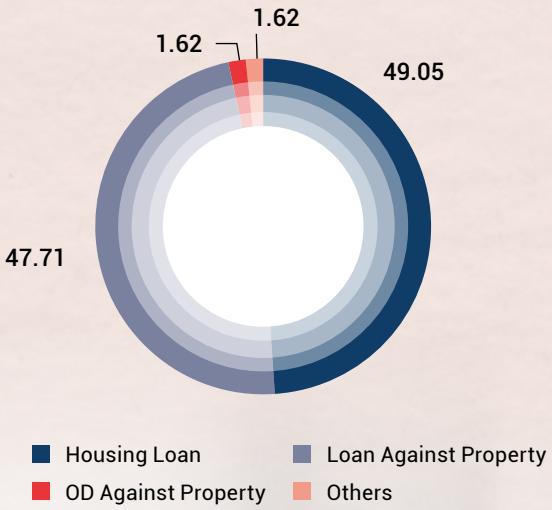
99.95%
Secured Portfolio



Mortgages

The Bank's primary focus is to meet the loan needs of middle-income individuals, especially for small-ticket assets, to maintain a granular loan book. We also offer loans for purchasing, constructing, expanding, and renovating residential properties, which helps stimulate the overall demand side of the economy. Additionally, we provide loans against properties to finance viable economic activities or meet the personal needs of the property holder.

Mortgage Finance (in %)





Financial Highlights FY24

26.36%
Share in Loan Book

₹1,624.03
Crores
AUM

₹0.12
Crores
ATS at Portfolio

₹500.23
Crores
Disbursements

₹0.11
Crores
ATS at Disbursements

100%
Secured Portfolio

Others

The Bank has a major role in priority sector lending (PSL) aimed at fostering the comprehensive development of the economy. This involves extending credit to vital sectors such as agriculture, MSMEs, education, housing, and social infrastructure, among others. This constitutes a fundamental aspect of the Bank's operations. We have also implemented various initiatives with a renewed focus on lending to small and marginal farmers, micro-enterprises, and the economically weaker sections of society. Dedicated verticals have been established to cater to these segments, supported by experienced and specialised teams.

At Capital SFB, we specialise in serving the middle-income population in rural and semi-urban areas and also aim to cater to the underserved segments. The Bank consistently achieves the regulatory Priority Sector Lending (PSL) targets, showcasing strong commitment to serving this sector beyond the minimum requirements. In March, 2024, the Bank achieved the RBI targets once again, with PSL advances totalling ₹3,682.19 crores as of March, 2024.

The Bank's average achievement of advances to weaker sections, including small and marginal farmers and scheduled castes, stood at ₹612.19 crores as of March, 2024. This exceeds the regulatory benchmark of 12% (including PSLC) by 2 basis points. At CSFB, we continue to prioritise our granular retail asset portfolio, maintaining a diversified loan portfolio that includes agricultural, MSME, trading, retail, and mortgage loans.

	As of March 31, 2024	
	RBI Target*	Capital Small Finance Bank Target*
PSL Target	75%	77.47
Weaker Sub-Sections	12%	12.02

*% of Adjusted Net Bank Credit

Financial Highlights FY24

17.23%
Share in Loan Book

₹1,061.06
Crores
AUM

₹0.17
Crores
ATS at Portfolio

₹761.57
Crores
Disbursements

₹0.16
Crores
ATS at Disbursements

99.34%
Secured Portfolio



Liabilities

One of our key strengths is our granular retail focused deposit base. We have been able to leverage the strength of our brand to rapidly grow our deposit portfolio since we commenced operations as an SFB. Since 2016, we have relied on enhancing our retail deposits, as they have lower cost and are more stable compared to wholesale deposits. They are also more likely to stay deposited with the Bank over a longer period compared to wholesale deposits. Our retail focus enables us to maintain high levels of CASA thereby increasing our CASA ratio.

At Capital SFB, we rely significantly on retail deposits to meet our funding requirements, supplemented by refinance from financial institutions, wholesale market borrowing options, bulk deposits, and borrowings including tier II bonds. In FY24, savings bank, current, and term deposits amounted to ₹2,607.38 crores, ₹256.37 crores, and ₹4,613.99 crores, respectively. The Bank also caters to NRI customers and offers NRE and NRO accounts, prioritising stable and core deposits to build long-term partnerships over short-term rate sensitivity.

As of March 31, 2024, the Bank experienced an 14% y-o-y growth in deposits, rising from ₹6,560.62 crores in the previous year to ₹7,477.74 crores. Retail deposits constituted 92.94% of the total deposits, and the deposit base spread across 7,67,531 deposit accounts, indicating an increase of 37,579 accounts since March 31, 2023. Furthermore, the Bank maintained roll-over ratio of more than 90% for term deposits, highlighting the loyalty of its depositor base.

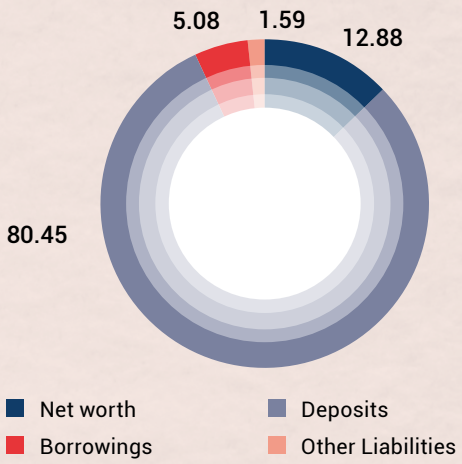
At CSFB, we focus on nurturing lasting relationships with our customers, providing personalised service tailored to individual needs. By concentrating on retail, stable, and core deposits, the Bank ensures a robust foundation for sustainable growth and sustained financial stability. We plan to continue increasing our CASA and retail deposits with a judicious mix of wholesale deposits to optimise our cost of funds.

A key focus will be on the 'phygital' distribution of our products and services, blending physical and digital presences to cater to the banking needs of rural and semi-urban populations. This approach will help us scale our operations profitably. Furthermore, we will leverage and enhance our brand to strengthen our presence in the banking sector, fostering customer trust and recognition through relationship-based banking, customer engagement practices, and comprehensive product offerings.

We also focus on our government and institutional banking group. This will enable us to service the banking needs of more central and state government departments and agencies, as well as cooperative banks, and public trusts.

Notably, we are one of only two SFBs empanelled by the Punjab Government for placing their deposits, which underscores our growing reputation and reliability in the sector.

Liability Profile (in %)



Types of Deposits

	FY24		FY23	
	₹ in Crores	% to Total Deposits	₹ in Crores	% to Total Deposits
CASA	2,863.75	38.30	2,747.90	41.88
Term Deposits	4,613.98	61.70	3,812.73	58.12
Total Deposit	7,477.74	100.00	6,560.62	100.00
Bulk Deposit	528.05	7.06	137.96	2.10
Total Retail Deposit	6,949.68	92.94	6,422.67	97.90

SLAB	No. of Saving Accounts	%
Slab1 >= ₹0 to <= ₹1 Lac	6,01,791	93.32%
Slab2 > ₹1 Lac to <= ₹5 Lac	30,637	4.75%
Slab3 > ₹5 Lac to <= ₹10 Lac	7,597	1.18%
Slab4 > ₹10 Lac to <= ₹25 Lac	3,930	0.61%
Slab5 >= ₹25 Lac to <= ₹50 Lac	688	0.11%
Slab6 >= ₹50 lacs and above	255	0.04%
Total	6,44,898	100%

Third-Party and Other Products

We aspire to be the primary financial services provider for our customers, offering third-party products to meet their financial needs beyond core banking services. These services encompass insurance, locker facilities, and foreign exchange services such as remittances. The Bank cross-sells insurance products to borrowers, ensuring their families are protected in unforeseen events, thanks to strong collaborations with leading insurance companies.

Moreover, we provide foreign exchange services and MTSS inward facility through partnerships with various AD-1 Banks and other entities. Additionally, we have teamed up with prominent brokerages to offer 3-in-1 demat-cum-trading accounts, providing a comprehensive service portfolio to its clients.

The Bank has partnered with ICICI Prudential Life Insurance Company Limited, HDFC Life Insurance Company Limited, and Max Life Insurance Company Limited to offer life insurance products. We have also partnered with Bajaj Allianz General Insurance Company Limited and ICICI Lombard General Insurance Company Limited for general and health insurance products. These products include traditional life, term, motor, property, personal accident, health, and travel insurance.

At Capital SFB, we are authorised by the RBI as a category II dealer, providing inward and outward non-trade remittance facilities. We offer money remittance services in partnership with Western Union Financial Services Inc., MoneyGram Inc., and Ria Money Transfer. The Bank also provides safe deposit lockers for customers to store their valuables for a fee.



SCOT Analysis

S Strengths

Strong Growth Trajectory: The Bank has witnessed impressive growth over the past five years, with a Gross Advance CAGR of 19% (as of March 31, 2024). Our loan book stands at ₹6,160 crores, with a focus on secured lending (99.9% secured, 86%+ collateralised with immovable property/ Bank FDRs). The average ticket size (ATS) is ₹14.2 lakhs, and 67% of the portfolio caters to borrowers with an exposure of up to ₹25 lakhs.

Diversified Portfolio: Our loan portfolio is well-diversified across agriculture (37%), mortgage (26%), and MSME and trading (19%). Our disbursements for FY24 stood at ₹2,068 crores, with a focus on agriculture (~27%), mortgage (~24%), and MSME and trading (~13%). We have built one of the most diversified and secured retail loan portfolios.

Strong Asset Quality: The Bank boasts industry-leading asset quality with a GNPA of 2.8% and NNPA of 1.4% (as of March 31, 2024). Our NNPA has remained stable for the past three years, with minimal write-offs and no NPA sell-offs since inception, demonstrating a robust recovery mechanism. The slippage ratio for FY24 was 2.4%, offset by a healthy upgrade and recovery ratio of 2.1%.

Focus on Retail Deposits: We prioritise deposits, constituting over 80% of our balance sheet. Retail deposits form a significant portion (93%) with a CASA ratio of 38%. Our deposits stood at ₹7,478 crores as of March 31, 2024 as we strategically managed deposit growth to maintain a healthy leverage ratio before the IPO.

Profitability on the Rise: The Bank has shown consistent improvement in profitability metrics. Our Return on Assets (ROA) for FY24 is 1.3% (2.5x over FY19), and Return on Equity (ROE) is 14.6% (1.8x over FY19). The Cost-to-Income (CI) ratio stands at 62.5%, and the Net Interest Margin (NIM) is 3.9%. The Profit After Tax (PAT) for FY24 is ₹112 crores, registering a YoY growth of 19%.

C Challenges

- Our business is closely tied to the North Indian economy, and any fluctuations in this region can adversely affect our operations and financial performance. Similarly, our business relies on the health of the banking and finance sector in rural and semi-urban areas, so any changes in this sector can impact our sales, profits, and cash flow negatively
- Effective management of NPAs is crucial for our business, as failure to do so could weaken our financial position
- Additionally, the value of the collateral we hold against loans is a key factor in our financial stability. A decline in the value of this collateral could lead to losses for our business

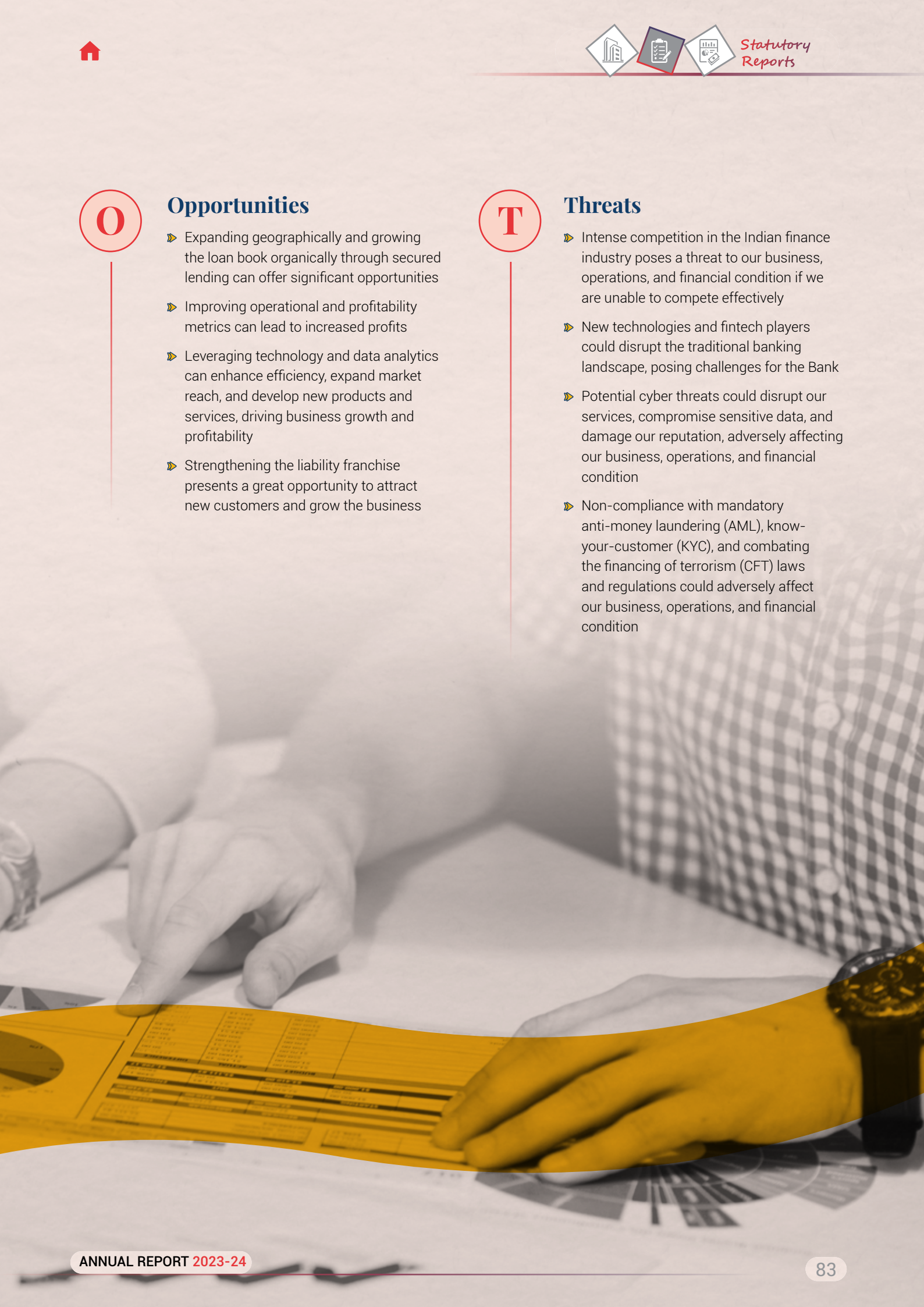


Opportunities

- Expanding geographically and growing the loan book organically through secured lending can offer significant opportunities
- Improving operational and profitability metrics can lead to increased profits
- Leveraging technology and data analytics can enhance efficiency, expand market reach, and develop new products and services, driving business growth and profitability
- Strengthening the liability franchise presents a great opportunity to attract new customers and grow the business

Threats

- Intense competition in the Indian finance industry poses a threat to our business, operations, and financial condition if we are unable to compete effectively
- New technologies and fintech players could disrupt the traditional banking landscape, posing challenges for the Bank
- Potential cyber threats could disrupt our services, compromise sensitive data, and damage our reputation, adversely affecting our business, operations, and financial condition
- Non-compliance with mandatory anti-money laundering (AML), know-your-customer (KYC), and combating the financing of terrorism (CFT) laws and regulations could adversely affect our business, operations, and financial condition



Financial Highlights

Statement of Profit and loss

Particulars (in ₹ crores)	FY 21	FY 22	FY 23	FY 24	CAGR[1]%	YoY[2]%
Interest Earned	511.44	578.22	676.01	794.33	18.06	17.50
Other Income	45.83	54.19	49.47	68.08	16.81	37.60
Gross Total Income	557.27	632.40	725.48	862.41	17.96	18.87
Interest Expended	312.83	322.94	354.02	449.18	16.30	26.88
Operating Expenses	172.96	196.25	222.75	258.33	14.34	15.97
Provisions & Contingencies	30.70	50.65	55.11	43.37	23.89	-21.29
Profit for the period	40.78	62.57	93.60	111.53	41.86	19.16
Earnings per equity share						
Basic (₹)	12.04	18.41	27.35	30.65		
Diluted (₹)	11.98	18.22	27.21	30.45		

Statement of Balance sheet

Particulars (in ₹ crores)	FY 21	FY 22	FY 23	FY 24	CAGR[1]%	YoY[2]%
Capital & Liabilities						
Net Worth	450.79	515.78	610.61	1,197.42	36.76	96.10
Deposits	5,221.07	6,046.36	6,560.62	7,477.74	15.31	13.98
Borrowings	616.72	498.43	721.38	472.25		
Other Liabilities and Provisions	82.66	93.35	98.16	147.87		
Total	**6,371.24**	**7,153.92**	**7,990.77**	**9,295.28**	**16.56**	**16.33**
Assets						
Cash and Balances with Reserve Bank of India	721.72	363.99	462.65	568.98		
Balances With banks and Money at call and short notice	568.70	655.06	418.21	752.18		
Investments	1,212.25	1,357.06	1,488.58	1,705.71	14.61	14.59
Advances	3,726.89	4,634.80	5,428.69	6,074.69	18.51	11.90
Fixed assets	86.55	83.59	82.59	83.73		
Other Assets	55.12	59.42	110.05	109.99		
Total	**6,371.24**	**7,153.92**	**7,990.77**	**9,295.28**		

[1]CAGR (calculated from 2019-24)

[2]YoY (calculated FY24 over FY23)

Key Ratios (in %)

	FY24	FY23
Net Interest Margin[1]	3.94	4.19
Gross NPAs	2.76	2.77
Net NPAs	1.40	1.36
Return on Assets[2]	1.27	1.22
Return on Equity	14.64	16.62
Return on Average Advances	1.98	1.89
Cost of Deposits	5.61	4.90
CRAR	27.39	18.87

[1]Net Interest Margin has been computed based on the Net Interest income (Interest Income — Interest Expense) and average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949, during the year

[2]Return on Assets is calculated with reference to monthly average working funds (working funds taken as total of assets excluding accumulated losses, if any)

Information Technology

At Capital SFB, we believe that information technology is a key differentiator in enhancing customer experience. Over the years, the use of technology has enabled us to scale up our operations efficiently. We have collaborated with third-party software solution providers and service providers to automate our banking operations. This includes the loan management function, all supported by a robust core banking system.

Our various technology platforms support major functions such as customer experience, enterprise accounting, expense management, human resources, process management, risk management, and governance. We prioritise encouraging the use of digital banking channels, especially among individuals in unbanked and underbanked segments. Our aim is to leverage technology to better serve our customers, identify opportunities, deliver innovative products and services, and advance our goal of financial inclusion.

We offer a range of digital facilities including internet banking, mobile banking, bill payments and payment solutions like debit cards, POS, and QR code-based payment devices. Our robust digital system, supported by a core banking system, allows customers to enjoy any branch banking and anytime banking through various delivery channels.

We have two mobile banking applications – Capital Bank Mobile+ and Capital Bank Mobile Connect. Additionally, our new internet banking application featuring enhanced functionality and security measures. Through these technological advancements, we strive to provide our customers with seamless and secure banking experiences.

Treasury Operations

We have integrated Treasury. Our treasury department plays a crucial role in our operations, handling fund raising, asset liability management, minimising borrowing costs, and managing liquidity and interest rate risks. The department invests funds according to our investment policy and ensure compliance with regulatory requirements, including those set by RBI. Acting as a bridge between the head office and branches, the treasury manages liquidity, cash, payments, settlements, and fund transfers.

We have a Board-approved investment portfolio policy in line with RBI guidelines, supported by SOPs for treasury transactions and investments in various instruments. Our treasury operates with front, back, and mid offices, focusing on healthy liquidity and enhance our bottom-line growth. The treasury investment portfolio is founded on three core principals of safety, liquidity and risk adjusted superior returns (alpha generation). This provides our Bank with sufficient liquidity, better asset quality and favourable risk adjusted returns. These attributes have helped us maintain healthy liquidity and generate alpha. The reduced cost of funds has added to our bottom-line growth.

The treasury investment portfolio consistently adds value to the Bank's bottom line by generating attractive risk-adjusted returns and maintaining a reasonable spread over the cost of deposits. These outcomes are achieved while ensuring high liquidity and a healthy portfolio composition.

Risk Management

For a Bank, managing risk is a fundamental aspect of its operations. At CSFB, we recognise the trust our customers place in us with their hard-earned money, and it is the Bank's duty to safeguard their interests. To effectively manage risks, the Bank has implemented a range of policies and procedures that align with regulatory standards.

The Bank's credit risk management system is robust, assessing the creditworthiness of customers before approving loans or advances. We adhere to a stringent credit policy, ensuring loans are only granted to deserving borrowers after a thorough assessment of their repayment capacity.

Operational risks are managed through various controls, including well-documented processes and procedures that employees are trained to follow, minimising errors and omissions. Additionally, the Bank's IT infrastructure is strong, safeguarding against cyber threats and data breaches.

Market risks are monitored regularly by a dedicated team using various tools and techniques. The Bank has contingency plans in place to manage risks such as interest rate, currency, and liquidity risks effectively.

Compliance with regulatory guidelines and laws is a top priority. Our dedicated compliance team regularly reviews and updates policies and procedures to ensure they comply with regulations.

Managing reputation risks is crucial, and the Bank prioritises customer satisfaction. We provide excellent service and promptly resolve complaints through a grievance redressal mechanism. To ensure effective governance and risk management, the Board has delegated authority to the Risk Management Committee to oversee and review our risk management practices.

Compliance

At Capital SFB, we operate within a framework of internal and external rules and principles that guide our actions across various operational areas. These compliance requirements, including those from the RBI, corporate, KYC, AML, and IT compliance, have different implications based on their application context. To uphold high standards of corporate governance and promote accountability, transparency, and ethical business practices, we adhere to best practices and market standards. Our compliance function is objective, robust, and vigilant, covering all aspects of the business from statutory guidelines to best business practices.

The compliance function ensures strict adherence to statutory provisions outlined in various legislations, including the Banking Regulation Act, Companies Act, Reserve Bank of India Act, Foreign Exchange Management Act, Prevention of Money Laundering Act, and Regulatory Guidelines from IBA, FEDAI, and FIMMDA. Additionally, we uphold our own internal policies and fair practices code. Operating under fundamental principles of integrity, impartiality, accountability, discretion, and respect, our compliance function recognises the importance of compliance at all levels of the Bank.

Human Resources

At Capital SFB, we understand the significance of having contented employees to ensure customer satisfaction. Our workforce is highly knowledgeable, experienced, and always abreast of the latest industry trends and best practices. To nurture this asset, we continue to invest in our employees and strive to create a positive work environment.

We prioritise providing our employees with a healthy work-life balance, offering reasonable working hours and generous annual leave. Additionally, we support their career growth by giving preference to local hiring and ensuring that our assessment processes are fair and transparent.

As of March 31, 2024, we have 1,876 employees on our payroll.

Corporate Social Responsibility (CSR)

At Capital SFB, we have experienced steady growth over the last two decades. This enables us to play an active role in the economic and social progress of the regions we serve. The Bank is committed to advancing alongside the communities we operate in and emphasise on holistic community development. We see CSR as more than just a regulatory requirement and are deeply dedicated to enhancing the lives of underprivileged, marginalised, and low-income individuals.

Rather than treating CSR as a standalone function, the Bank integrates social and environmental responsibilities into all our operations. We encourage each business unit and function to incorporate these considerations into our activities. The Bank's CSR Committee is responsible for overseeing and executing our CSR policy, identifying focus areas, and recommending them for implementation, with regular reviews of these initiatives.

To carry out CSR activities, the Bank has established the Capital Foundation. Its goal is to address socio-economic disparities and implement social initiatives that have a significant impact on the community.

In compliance with the Companies Act of 2013 and the Companies (Corporate Social Responsibility) Rules of 2014, as notified by the central government, the Bank has adopted a CSR policy. Under this, we have allocated ₹1.77 crores towards our CSR initiatives in FY24.



Sarv Siksha Abhiyan

The Bank promotes education through talent hunt programmes, scholarships, and distributing books and stationery to students. We also focus on enhancing infrastructure and support facilities in rural and semi-urban areas, fostering education and vocational skills among diverse groups, including children, women, the elderly, and differently-abled individuals.



Commitment to Environmental Stewardship

The Bank prioritises environmental sustainability and ecological balance. We maintain green belts and conduct tree plantations as part of our efforts to contribute to a healthier environment.

Helping Hands for Water, Food and Health (WFH)

We install water purifiers, tube wells, and handpumps for clean drinking water, promote healthcare with treatment for the underprivileged and preventive health camps, and organise food distribution events, addressing crucial needs for a better society.

Tomorrow Ready Relief Project

We are committed to COVID-19 and any pandemic/epidemic disaster management, including relief, rehabilitation, and reconstruction activities as part of our disaster management efforts.

Go Fund India

The Bank supports India's progress by contributing to the PM Relief Fund.

PM CARES Fund

PM CARES Fund, or the central government funds for socio-economic development, aiding marginalised communities and empowering women.

Inclusions & Empowerment

We are committed to enhancing the well-being of senior citizens and women in socially and economically backward groups by offering comprehensive healthcare services and empowering them through education, digitalisation, skill development, and livelihood opportunities. These efforts align with our mission to promote gender equality and reduce inequalities within our community.

Local Community Bridge Campaign

The Bank is empowering local communities and supporting small-scale production facilities by offering financial assistance to promote local crafts, safeguard national heritage, restore historical sites, and foster traditional art and handicrafts.

Gear Up India

We are committed to elevating the world of sports. Our initiatives include athlete sponsorship for Olympic sports, empowering rural sports development, backing sports leagues, honing player skills through training, and investing in sports infrastructure development for a brighter sporting future.

Marketing

Our marketing goal is to boost brand recognition and establish ourselves as the preferred banking partner in the regions we currently serve and those we plan to expand into. We are dedicated to building relationships and fostering community engagement to instil trust and reliability. Our marketing strategy is closely aligned with our business model and customer-centric approach, encompassing various channels to reach our audience effectively. With an extensive branch network, particularly in rural and semi-urban areas, we focus on leveraging digital media, including social platforms and websites, along with traditional offline methods such as outdoor displays, newspapers, and radio.

We consistently launch campaigns and engage in activities to enhance brand visibility and promote our products and services within our communities. Our marketing efforts are centred around three main areas: brand establishment, product awareness, and lead generation, utilising both digital and conventional methods. We aim to expand our community activities at the branch level while also leveraging digital platforms to reach a broader audience across regions. Ultimately, our goal is to attract new customers while strengthening relationships with our existing customer base.

Cautionary Statement

As per applicable laws and regulations, this Report contains some forward-looking statements. However, it should be noted that the actual results may differ from those expressed or implied due to various factors such as economic conditions, government policies, and other related factors.

BOARD'S REPORT

DEAR SHAREHOLDERS,

The Directors of Capital Small Finance Bank Limited ("Bank" or "Company") are pleased to report that the Bank has continued to deliver strong financial results, with steady growth in key performance indicators such as total assets, deposits, and loans disbursed. The Bank has remained focussed on prudent risk management practices, resulting in a healthy loan portfolio and lower non-performing assets. The net profit witnessed a significant increase, reflecting the Bank's relentless focus on operational efficiency and the optimisation of its product and service offerings.

Furthermore, the Bank remains committed to providing inclusive banking services to underserved communities.

Embracing the digital revolution, it has taken significant strides in its digital transformation journey by introducing innovative digital products and services, including mobile banking applications and online account opening. Customer satisfaction scores have steadily improved due to the Bank's unwavering dedication to customer service excellence. Continual enhancements to processes and offerings are underway to exceed customer expectations.

The Board extends sincere gratitude to all shareholders for their unwavering trust and support. The Bank remains steadfast in its commitment to creating sustainable value and delivering superior returns to its stakeholders.

1 Financial Performance

Profit and Loss Summary

₹ in crores

	FY24	FY23	Change Y-o-Y %
Income Earned	794.33	676.01	17.50%
Income Expended	449.18	354.02	26.88%
Net Interest Income	345.15	321.99	7.19%
Other Income	68.08	49.47	37.62%
Net Total Income	413.23	371.46	11.24%
Operating Expenses	258.33	222.75	15.97%
Provision for Advances	6.69	24.55	(72.75%)
Provisions for Taxes	36.68	30.56	20.02%
Profit after Tax	**111.53**	**93.60**	**19.16%**

Asset and Liability Composition

₹ in crores

	FY24	FY23	Change Y-o-Y %
LIABILITIES			
Capital	45.04	34.25	31.50%
Reserves and Surplus	1,152.38	576.36	99.94%
Deposits	7,477.74	6,560.62	13.98%
Borrowings	472.25	721.38	(34.54%)
Other Liabilities and Provisions	147.87	98.16	50.64%
Total Liabilities	**9,295.28**	**7,990.77**	**16.33%**

BOARD'S REPORT

₹ in crores

	FY24	FY23	Change Y-o-Y %
ASSETS			
Cash and Balances with Reserve Bank of India	568.98	462.65	22.98%
Balances with Banks and Money at call and short notice	752.18	418.21	79.86%
Investments	1,705.71	1,488.58	14.59%
Advances	6,074.69	5,428.69	11.90%
Fixed Assets	83.73	82.59	1.38%
Other Assets	109.99	110.05	(0.05%)
Total Assets	**9,295.28**	**7,990.77**	**16.33%**

Key Ratios

In %age

	FY24	FY23
Net Interest Margin[1]	3.94	4.19
Gross NPAs	2.76	2.77
Net NPAs	1.40	1.36
Return on Assets[2]	1.27	1.22
Return on Equity	14.64	16.62
Return on Average Advances	1.98	1.89
Cost of Deposits	5.61	4.90
Yield on Advance	11.10	10.76
CRAR	27.39	18.87

Notes:

[1] Net Interest Margin has been computed based on the Net Interest income (Interest Income — Interest Expense) and average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year

[2] Return on Assets is calculated with reference to monthly average working funds (Working funds taken as total of assets excluding accumulated losses, if any)

The Indian economy grew at one of the fastest pace in the world. This growth led to an increase in demand for credit, which benefited banking sector and Small Finance Banks (SFBs) the most. The incomes of Indian households have been rising in recent years, which has also led to an increase in demand for loans from SFBs. Additionally, the government has been supportive of SFBs, this has helped SFBs to grow and expand their reach, particularly in underserved areas.

During the financial year ending March 31, 2024, the Bank experienced a period of steady and measured growth in its financial performance. Across key performance indicators such as total assets, deposits, and loans disbursed, there was notable advancement. This achievement underscores the Bank's commitment to balanced expansion and prudent risk management, resulting in a healthy loan portfolio and minimal occurrence of non-performing asset.

BOARD'S REPORT

The Bank has showcased a commendable trajectory of gradual and sustainable growth in net profit, a testament to its unwavering commitment to operational efficiency and the strategic optimization of its product and service offerings. These accomplishments underscore the dedication and talent of our team, whose relentless pursuit of excellence in their roles has been instrumental in driving our success.

Capital Small Finance Bank Limited continues to expand its presence across regions, aiming to provide inclusive banking services to underserved communities, enabling it to serve a broader customer base and contribute to financial inclusion. Capital Small Finance Bank Limited acknowledges that its success is intricately linked to the satisfaction of customers. Therefore, it remains dedicated to understanding the evolving needs and expectations.

Addressing the Company's liability profile, there is a firm commitment to nurturing current relationships to uphold elevated levels of Current Account and Savings Account (CASA) deposits. We have consistently maintained strong CASA levels over the past three financial years, with ratios remaining steady at 38.30% for the year ending March 31, 2024, 41.88% as on March 31, 2023, and 42.16% as on March 31, 2022. Despite the challenges posed by a rising interest environment, our dedication to cost management is apparent in the sustained favourable cost of funds. For the financial year ended March 31, 2024, it stood at 5.82%, while for the previous financial year ending March 31, 2023, it was 5.11%. Additionally, its retail deposits constitute a significant proportion, accounting for 92.94% as on March 31, 2024. Going forward, the Bank remains committed to further increasing its CASA and retail deposits to optimise its cost of funds.

Turning to Assets, the Bank takes pride in its commitment to maintaining a high proportion of secured lending, accounting for a substantial 99.9% of the loan book, out of which ~84% is collateralised with immovable property and fixed deposits. This steadfast focus on secured lending, complemented by rigorous credit assessment processes and meticulous risk management practices, has been pivotal in ensuring robust asset quality. As of March 31, 2024, the Bank's Gross Non-Performing Assets (GNPA) stood impressively low at 2.76%, while Net Non-Performing Assets (NNPA) remained even lower at 1.40%. Such remarkable figures stand as a testament to the Bank's profound understanding of its target customer base and its extensive experience navigating various business cycles throughout its two decades of banking operations.

We believe interest rates are market driven and our endeavor is to protect our interest margin. Historically, across interest rate cycles we have been maintaining a spread in the range of 5.5% -5.9%. Our liability side consists of 80% deposit with 38% CASA and on asset side 60%-62% of our loan book is floating rate out of which ~80% is MCLR based. The effect of increase in the MCLR in last year will be visible on their annual reset period in the coming year.

Furthermore, the Bank's loan portfolio diversification is noteworthy, with advances in agriculture, MSME & trading, and mortgages segments amounting to ₹2,293.12 crores, ₹1,181.59 crores, and ₹1,624.03 crores, respectively, as of March 31, 2024. In the previous year, as of March 31, 2023, these segments accounted for ₹2,137.45 crores, ₹1,120.46 crores and ₹1,434.48 crores respectively. The average ticket size for these segments as of March 31, 2024, stood at ₹1.24 mn, ₹1.86 mn and ₹1.17 mn respectively.

In order to gain a foothold in new markets where the branch network is not yet established, the Bank is actively seeking partnerships to expand geographical presence and better understand these markets. By forging strategic alliances, it aims to mitigate associated risks while diversifying the range of products and services. Such collaborations will not only enhance the offerings but also contribute to the overall growth of Capital Small Finance Bank Limited.

The Bank has consistently demonstrated impressive growth in both profitability and operational metrics, underscoring its unwavering dedication to excellence. Over the past few years, the operating profit before provisions has surged with an outstanding compound annual growth rate (CAGR) of approximately 35.21%, marking a significant increase from ₹34.28 crores in FY19 to ₹154.90 crores in FY24. Moreover, the profit before taxes has experienced a substantial rise from ₹26.92 crore in FY19 to ₹148.21 crores in FY24. Similarly, the profit after taxes has seen a notable escalation from ₹19.42 crores in FY19 to ₹111.53 crores in FY24. This remarkable performance stands

BOARD'S REPORT

as a testament to the Bank's enduring trustworthiness, reinforced by its seasoned leadership and reputable shareholders who are deeply committed to upholding stringent standards of corporate governance.

The Bank's profitability and operational metrics have showcased a consistent upward trend, reflecting its commitment to excellence. This exceptional performance is a testament to the trust the Bank has built over the years, supported by its professional and experienced leadership team and reputed shareholders with a strong commitment to corporate governance.

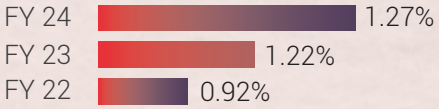
Moving forward, the focus remains on strengthening of operational and profitability metrics through several key strategies. Firstly, the aim is to optimise asset-liability mix in favour of asset creation while increasing the credit to deposit ratio. Secondly, it continue to emphasise on cost optimisation and efficiency improvement. Lastly, it intends to enhance its fee income and leverage cross-selling opportunities to further diversify our revenue streams.

Cost optimization remains a pivotal priority, and the Bank takes pride in its enhanced operational efficiency, evident in the improved operating expense (opex) ratio as a percentage of average assets. This ratio has significantly decreased to 2.95% in FY24 from 3.50% in FY19. The cost-to-income ratio is expected to continue its improving trajectory and reached approximately 62.51% in FY24, building on the achievements of 63.42% in FY22 and 70.75% in FY21.

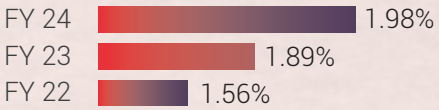
The Board is confident that the continued focus on maintaining strong liabilities and assets positions will contribute to the sustained growth and success of Capital Small Finance Bank Limited.

The below table shows improving profitability ratios as a result of margin expansion and improved efficiencies:

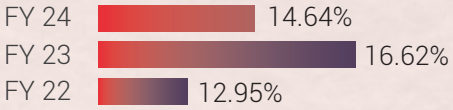
Return on Assets (RoA)



Return on Average Advances



Return on Equity (RoE)



2 Dividend

Based on the robust financial performance and profitability of Capital Small Finance Bank Limited, the Board of Directors has recommended a Final Dividend of ₹1.20 per equity share (face value of ₹10 each) for the financial year ending March 31, 2024. This dividend payout demonstrates the Bank's commitment to delivering value to its esteemed shareholders. The Board believes in sharing the success of the institution with those who have placed their trust and invested in Capital Small Finance Bank Limited. The Board remains dedicated to maintaining a healthy dividend payout ratio while carefully considering the need for reinvestment in the Bank's growth initiatives. The support and confidence of shareholders are greatly appreciated, and the Board is pleased to reward their trust through this dividend declaration.

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") is not presently applicable, being your Bank does not fall in top 1000 listed entities, your Bank has not yet formulated and adopted a Dividend Distribution Policy.

BOARD'S REPORT

3 Transfer to Reserve

In terms of RBI regulations and other applicable regulations, the Bank has appropriated the following amounts to various reserves for the financial year ended March 31, 2024:

Particulars	Amount (₹ in crore)
Profit after tax	111.53
Profit brought forward	233.18
Accumulated profit (before appropriations)	344.71
Appropriations	
To Statutory Reserve	27.88
To Special Reserve	4.21
To Revenue and other reserves (Investment Fluctuations reserve)	1.44
To Revenue and other reserves (Investment Reserve Account)	0.41
To Revenue and other reserves (Other Revenue reserve)	0.62
Dividend paid during the year	4.24
Balance carried forward to balance sheet	305.90

4 Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) plays a vital role in maintaining the stability and soundness of banks. It is a regulatory requirement that ensures banks have sufficient capital to absorb potential losses and meet their obligations to depositors and creditors. By maintaining an adequate capital buffer, banks can mitigate the risk of insolvency and contribute to the overall resilience of the financial system.

The Bank has developed a well-thought-out capital adequacy plan that considers both systematic and idiosyncratic risks. Systematic risks are those that affect the entire banking industry, such as changes in interest rates or economic conditions. Idiosyncratic risks are those that are specific to a particular bank, such as problems with its lending or investment activities. Capital Small Finance Bank Limited has made arrangements to maintain sufficient buffer capital to address any potential stress and to provide ample growth capital to keep its growth trajectory on track.

The Bank has consistently maintained a strong and healthy Capital Adequacy Ratio, which reflects its robust capital position and adherence to regulatory requirements. As of the financial year ending March 31, 2024, Capital Adequacy Ratio stood at 27.39%, demonstrating its commitment to prudential capital management. This solid capital base provides a solid foundation for the Bank's operations, supports its growth aspirations, and instills confidence in our stakeholders. The Bank will continue to prioritise capital adequacy, ensuring that it has the necessary buffers to navigate any future challenges and capitalise on emerging opportunities in the dynamic banking landscape.

5 Capital and Debt Structure

a) Authorised Share Capital:

The Bank had authorised capital of ₹ 50.00 crores and during the year under review, there has been no change in the authorised share capital.

b) Issued and Subscribed Share Capital:

The Bank has issued, subscribed and paid up Share Capital of ₹ 45.04 crores as on March 31, 2024. The Bank, during the current year, has issued and allotted 27,632 equity shares on May 26, 2023, 76,500 equity shares on November 06, 2023 of ₹10/- each at a premium of ₹ 88/- (i.e. at the total issue price of ₹ 98/-) per share to employees of the Bank and 12,850 Equity

BOARD'S REPORT

Shares have been issued and allotted to Material Risk Takers (MRTs as identified by the Board in terms of Compensation policy) on May 26, 2023 of ₹ 10/- each at face value in the form of Employee Stock Option as per ESOP Plans of the Bank. Further, the Bank has allotted 10,57,700 equity shares, on preferential basis, to Max Life Insurance Company Limited on June 17, 2023 of ₹ 10/- each at a premium of ₹ 458/- (i.e. at the total issue price of ₹ 468/-) per share. The Bank has allotted 96,15,384 equity shares of ₹ 10/- each at a premium of ₹458/- (i.e. at the total issue price of ₹ 468/-) per share on February 13, 2024 to successful allottees pursuant to Initial Public Offer ("IPO") of the Bank. The equity shares issued during the year under review rank pari-passu with the existing equity shares of the Bank.

With respect to disclosure under Regulation 32(1) of SEBI Listing Regulations, the Audit Committee of the Board at its meeting held on April 24, 2024, had reviewed and confirmed that the funds raised through IPO during the year have been fully utilised for the intended object as mentioned in the offer document and there was no deviation or variation in utilisation of the said funds.

6 Listing of Equity Shares of the Bank with BSE and NSE

The listing of the Initial Public Offering (IPO) of Capital Small Finance Bank Limited was made on February 14, 2024 on BSE Limited and National Stock Exchange of India Limited and thereafter the equity shares of Capital Small Finance Bank Limited becomes open for trade for public at large.

The listing fee for the FY 2024 – 2025 have been duly paid.

7 Disclosure regarding Employee Stock Option schemes

Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 ("CSFB ESOP Plan 2018") was approved by the shareholders of the Bank in the Annual General Meeting held on August 18, 2018, amended further in Extra Ordinary General meeting held on October 22, 2021, for granting equity options to its employees. Further the Capital Small Finance Bank Limited – Employees Stock Option Plan for Material Risk Takers ("CSFB ESOP Plan MRT") was approved by the shareholders of the Bank through Postal Ballot on July 11, 2020, amended further on October 22, 2021, for granting equity options to Material Risk Takers (MRTs as identified by the Board in terms of Compensation policy). Further, Capital Small Finance Bank Limited – Employees Stock Option Plan 2023 ("CSFB ESOP Plan 2023") was approved by the shareholders of the Bank in the Extra Ordinary General Meeting held on May 12, 2023 for granting equity options to its employees. The details of the said ESOP schemes as required under Rule 12 (9) of the Companies (Share Capital and Debentures) Rules, 2014 are as under:

Scheme	CSFB ESOP Plan 2018	CSFB ESOP Plan for MRTs	CSFB ESOP Plan 2023
Date of Shareholders approval	August 18, 2018	July 11, 2020	May 12, 2023
Total number of Options approved	8,54,720	1,00,000	6,85,049
Exercise price per Option	₹98	₹10	₹171
Total No. of Options outstanding at the beginning of the year	3,97,893	32,133	-
Total Options granted during the year	-	13,875	6,82,000
Total Options vested during the year	-	12,850	-
Total Options exercised	1,04,132	12,850	-
Total number of shares arising as a result of exercise of Option	1,04,132	12,850	-
Options forfeited / lapsed	38,761	26,741	1,500

BOARD'S REPORT

Scheme	CSFB ESOP Plan 2018	CSFB ESOP Plan for MRTs	CSFB ESOP Plan 2023
Total Options in force as on March 31, 2024	2,55,000	6,417	6,80,500
Variations in terms of Options	Nil	Nil	Nil
Money realised by exercise of Options	₹1,02,04,936	₹1,28,500	-
Details of number of Stock Options granted to Directors and KMPs during the year	KMP : Mr. Munish Jain: NIL Mr. Amit Sharma: NIL	KMP : Mr. Munish Jain: 13,875 Mr. Amit Sharma: NIL	KMP : Mr. Munish Jain: NIL Mr. Amit Sharma: 3,000
Any other employee who receives a grant of Options in any one year of Options amounting to five percent or more of total Options granted during that period	Nil	Nil	Nil
Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding, warrants and conversions) of the Bank at the time of grant	Nil	Nil	Nil

8 Non-Convertible Bonds

During the financial year under review:

- The Bank has issued and allotted 3,099 Unsecured Redeemable Subordinated Non- Convertible (Lower Tier-II) BASEL II Compliant Bonds 2023 - 24 (SERIES XXI) in the nature of debentures on May 26, 2023 of ₹1,00,000 each at par aggregating to ₹30,99,00,000/- on private placement basis with coupon rate of 10% p.a. (Simple Interest) and redemption date of May 26, 2033.
- The Bank has redeemed 503 units of 11% Unsecured Redeemable Non-Convertible Subordinated Bond (Lower Tier II) in the nature of Debenture Series — VIII (ISIN: INE646H08137), on May 04, 2023 and the interest amount along with principal amount due thereon was credited to the accounts of debentures holders as on May 04, 2023.
- The Bank has redeemed 310 units of 11% Unsecured Redeemable Non-Convertible Subordinated Bond (Lower Tier II) in the nature of Debenture Series — IX (ISIN: INE646H08145), on May 20, 2023 and the interest amount along with principal amount due thereon was credited to the accounts of debentures holders as on May 20, 2023.

9 Sweat Equity Shares and Equity Shares with Differential Rights

In respect of the disclosure as per Rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014, the Bank has not issued any Sweat Equity Shares during the financial year under review.

Pursuant to Rule 4(4) of Companies (Share Capital and Debentures) Rules, 2014, the Bank has not issued any Equity shares with differential right during the financial year under review.

BOARD'S REPORT

10 Listed Securities, Debenture Trustee Detail and Credit Rating

The debt securities of the Bank issued in the form of Upper Tier-II Bonds & Lower Tier II Bonds, which are listed on the BSE Limited and detail of the same is as under:

NCD Series	Coupon Rate	ISIN	Rating by Brickwork Ratings India Private Limited on April 12, 2023	Rating by Brickwork Ratings India Private Limited on April 12, 2024	Rating by Care Ratings Limited on March 13, 2023	Rating by Care Ratings Limited on March 12, 2024
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2014-15 (Series XI)	11.75%	INE646H08012	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A-; Stable (Single A Minus; Outlook: Stable)	CARE A-; Stable (Single A Minus; Outlook: Stable)
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2015-16 (SERIES XIII)	11.75%	INE646H08020	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A-; Stable (Single A Minus; Outlook: Stable)	CARE A-; Stable (Single A Minus; Outlook: Stable)

The Bank has got the following credit rating in respect of unlisted debt securities of the Bank issued in the form of Lower Tier-II Bonds

NCD Series	Coupon Rate	ISIN	Rating by Brickwork Ratings India Private Limited on April 12, 2023	Rating by Brickwork Ratings India Private Limited on April 12, 2024	Rating by Care Ratings Limited on March 13, 2023	Rating by Care Ratings Limited on March 12, 2024
Unsecured Redeemable Non-Convertible Lower Tier II Basel-II Compliant Bonds 2018-19 in the nature of debentures (Series-XVII)	10%	INE646H08129	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirmation)	CARE A; Stable	CARE A; Stable

Contact Details of Debenture Trustee:
Name : IDBI Trusteeship Services Limited
Address : Universal Insurance Building,
Ground Floor, Sir P.M. Road,
Fort, Mumbai – 400001
E-mail : itsl@idbitrustee.co.in
Tel No. +91-22-40807000

BOARD'S REPORT

11 Dematerialisation of Securities

The Bank has issued ISIN for the Equity Shares and all the debt securities by NSDL and CDSL. The equity Shares of all the Directors, KMPs and Promoters have been dematerialised and the Bank is making all possible efforts to make the security holders aware and get their securities converted into Dematerialised form. Out of total paid up capital 85.50% of equity shares are in dematerialization form.

12 Compliances as per the Reserve Bank of India and the Government of India

The Bank has made statutory compliances with respect to all the applicable rules/regulations/ guidelines/notifications issued by the Reserve Bank of India and the Government of India.

13 Particulars of employees

The information in terms of Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in **Annexure A**. Further, the statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in **Annexure B** and forms part of this report. The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. In terms of Section 136 of the Act, the same would be available for inspection during working hours at the Registered Office of the Bank. A copy of this statement may be obtained by the Members by writing to the Company Secretary of the Bank.

14 Transfer of unclaimed dividend to Investor Education and Protection Fund

Pursuant to the relevant provisions of Section 125 of the Companies Act, 2013 and the relevant rules made thereunder, the amount of unpaid dividends that are lying unclaimed for a period of 7 years from the date of its transfer to the unpaid dividend account, is liable to be transferred to Investor Education and Protection Fund ("IEPF").

Shareholders may note that both the unclaimed dividend and corresponding shares, which have been transferred to IEPF in previous financial years, including all benefits arising on such shares, can be claimed from IEPF as per the procedure provided under the applicable provisions of the Companies Act, 2013. The Company sends periodic intimation to shareholders, advising them to lodge their claims with respect to unclaimed dividend. Mr. Amit Sharma, Company Secretary, has been appointed as nodal officer to ensure compliance with the IEPF Rules. The detail of Nodal officer is available on the website of the Bank.

Accordingly, Unclaimed Dividends for and up to the financial year ended March 31, 2016 have already been transferred to the IEPF. Further, please note that the Unclaimed Dividend in respect of the financial year ended March 31, 2017 must be claimed by the concerned Shareholders on or before August 28, 2024 failing which it will be transferred to IEPF in accordance with the Rules. The data for the same is available on the website of the Bank at https://www.capitalbank.co.in/investors/disclosures-under-regulation-62-Of-the-LODR/unclaimed-dividends-equity

The details of Unclaimed Dividends as on March 31, 2024 and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Dividend for the year ended	Date of declaration of Dividend	Last date for claiming Dividend	Unclaimed Dividend as on March 31, 2024 (Amt. in ₹)
March 31, 2017	July 22, 2017	August 28, 2024	2,21,556.40
March 31, 2018	August 18, 2018	September 24, 2025	2,16,652.80
March 31, 2019	September 27, 2019	November 03, 2026	1,04,140.00
March 31, 2020	-	-	-
March 31, 2021	August 20, 2021	September 26, 2028	1,39,522.00
March 31, 2022	August 05, 2022	September 11, 2029	5,52,360.58
March 31, 2023	August 11, 2023	September 10, 2030	7,08,493.50

BOARD'S REPORT

Transfer of Underlying Equity shares in respect of the unclaimed Dividend to IEPF

Pursuant to the relevant provisions of Section 124 and Section 125 of the Companies Act, 2013 read with the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended from time to time, the unclaimed Dividend and the underlying Equity Shares of the Bank for the Financial Year 2015 -16 (in case where the Dividend for subsequent 7 financial years have not been claimed by the concerned Shareholder), were liable to be transferred by the Bank to IEPF Authority and the same has been transferred, pursuant to the notification issued by the Ministry of Corporate Affairs (MCA) Dated October 16, 2017.

15 Annual Return pursuant to sub- section (3) of Section 92 of the Companies Act, 2013

The Annual Return of the Bank is available on the website of the Bank at **www.capitalbank.co.in** in the format (MGT-7) prescribed under the Act.

16 Requirement for maintenance of cost records

The cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013, are not required to be maintained by the Bank.

17 Disclosure under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014

Energy Conservation:

Being a Banking Company, energy consumed during this period is only in the form of electricity and diesel used in generators. The Bank has allocated specific cost budgets for this purpose and to reduce electric waste for Head Office and all its branches. The same is also monitored on periodical basis. Other measures like use of LEDs, power saver air conditioning equipment etc. are being installed for conserving the energy. There is no capital investment on energy conservation equipment other than specified.



Technology Absorption:

We at Capital Small Finance Bank Limited (CSFB) believe that the banks with the ability to adopt and integrate information technology will dominate in the highly competitive domestic market. Accordingly, the Bank continues to leverage information technology as a strategic tool in business operations for customer delight by offering efficient and improved services with low cost and using it as a tool to improve staff productivity, increasing efficiency and more efficient & effective control over banking operations.

We are convinced that investing in IT is critical and also understand that its potential and consequences on the banking is enormous. That is why the Bank since its inception is equipped with a full-fledged Information Technology Department with required manpower to strengthen develop, maintain and support IT infrastructure.



Foreign exchange earnings and outgo:

There was no foreign exchange earnings or outgo during the year under review.

18 Disclosures under Section Sec 134(3)(l) of the Companies Act, 2013

There are no material changes and commitments, affecting the financial position of the Bank, which has occurred between the end of the financial year of the Bank to which the financial statements relates and date of this report.

19 Details of significant & material orders passed by the regulators or courts or tribunals

There are no significant material orders passed by the Regulators or Courts or Tribunal which would impact the going concern status of the Bank and its future operations.

BOARD'S REPORT

20 Disclosure of Penalties imposed on the Bank during the Financial Year

I. Please refer note 16 to Schedule 18 forming part of the financial statements, which forms part of this annual report.

II. Penalties imposed by stock exchanges or SEBI or any statutory authority, on any matter relating to capital markets

During the review period, the Company was listed on Stock Exchanges on February 14, 2024. Consequently, the Quarterly Results for the Quarter and Nine Months Ended December 31, 2023 were approved by the Board of Directors on February 27, 2024, and subsequently submitted to BSE Limited on the same date, thus resulting a delay of 13 days, for which penalty was imposed by BSE Limited and the same has been deposited by the Company in compliance with SEBI Listing Regulations.

21 Deposits

Being a Banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Section 73 and 74 of the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by your Bank as a Banking company have been disclosed in the financial statements for the financial year ended March 31, 2024.

22 Asset-Liability and Risk Management pursuant to section 134(3)(n) of Companies Act, 2013

The Bank has formulated and adopted a robust risk management framework. Whilst the Board is responsible for framing, implementing and monitoring the said risk management framework, it has delegated its powers relating to monitoring and reviewing of risk associated with the business of the Bank to the Risk Management Committee. Bank follows an integrated approach to managing risks and the processes are embedded in the fundamental business model. The Risk Management Landscape in the Bank covers the stages of identifying, assessing, measuring, managing, controlling and reporting risk concerns across all the risk classes viz. Credit, Market and Operational Risks and Liquidity Risk. The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems to manage bank wide risks. Expanding business arenas, deregulation and globalisation of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institutions.

The Bank has adopted an integrated approach for the management of risk. Effective internal policies are developed in tune with the business requirements and best practices. The Bank has formulated 'Risk Management Policy' which also includes Internal Capital Adequacy Assessment Policy (ICAAP) for identifying and measuring various operational, credit, market and solvency risks. Operational risks are managed through comprehensive systems of internal control, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. We constantly strive to enhance the risk management capabilities in accordance with the emerging regulatory guidelines and the broad risk management principles. The Bank reviews the risk management system and the progress made in implementing the RBI guidelines on risk management, on a quarterly basis. The Asset Liability Management Committee (ALCO), consisting of the Bank's senior management and the Managing Director, is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Bank (on the assets and liabilities sides) in line with the Bank's budget and decided risk management objectives. The Committee actively manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimising profits besides maintaining capital adequacy and sufficient liquidity. Statements for Structured Liquidity, Liquidity Coverage and Interest Rate Sensitivity of the bank is being prepared in line with the RBI guidelines to actively manage the liquidity and interest rate risks.

Liquidity Risk Management has been at the core of sound risk management practices of banking industry in the modern age. The Liquidity risk is the potential inability to meet the Bank's liabilities as they become due. It arises when the Banks are unable to generate cash to cope with a decline in deposits or increase in assets.

The Bank gives utmost importance to manage various risks in most efficient way and has articulated comprehensive structure for liquidity risk management through various policy including Contingency Funding Plan (CFP) which aims to address the adverse liquidity

BOARD'S REPORT

scenarios. It is recommended by ALCO to Risk Management Committee of Board (RMCB) on annual basis for approval and is reviewed quarterly by the ALCO. In case, any review by the ALCO results in the funding gap, ALCO will be responsible to establish an action plan on the same which shall be approved by the RMCB. Further the decision to use the lines of defence as per the CFP lies with the ALCO. The contingency is defined in various scenarios. The comprehensive CFP endeavours to monitor liquidity on real time basis, with a wide and unrelated range of lines of defence, along with proper channel of reporting, escalation and decision making.

The Bank has constituted a Risk Management Committee. The details of the said committee and its terms of reference are set out in the report on corporate governance, which forms part of this annual report.

Further, the Bank has formulated Stress Testing Framework for evaluation of Bank's financial position under a severe but plausible scenario to assist in decision making within the Bank. It enables the Bank in forward looking assessment of risks. It facilitates internal and external communication and helps senior management understand the condition of the Bank in the stressed situations. Stress testing outputs are extremely useful in decision making process in terms of potential actions like risk mitigation techniques, contingency plans, capital and liquidity management in stressed conditions.

Stress testing forms an integral input of the internal capital adequacy assessment process (ICAAP), which requires the Bank to undertake forward-looking stress testing that identifies severe events or changes in market conditions that could adversely impact the Bank. The stress testing reports provide the senior management with a thorough understanding of the material risks to which the Bank may be exposed and to help in potential actions like mitigation techniques, contingency plans, capital and liquidity management in stressed conditions etc. Further, stress testing is an important input in identifying, measuring and controlling funding liquidity risks, in particular for assessing the Bank's liquidity profile and the adequacy of liquidity buffers in case of both bank-specific and market-wide stress events.

The Bank has a strong impetus on risk management and it realised that risk management is backbone of banking industry and being an evolving topic, the bank attempts to keep evolving various newer avenues to manage risk effectively and efficiently as per the risk management policy and framework of the bank so that the whole structure is well aligned with the risk appetite, risk assessment and risk mitigation strategy of the Bank. The risk management committee monitor and review the risk management plan and to perform functions as defined under the Act and SEBI Listing Regulations.

23 Independent Directors Declaration in terms of Section 134(3)(d); Section 149(6) of Companies Act, 2013 and Regulation 16(1)(b) of SEBI Listing Regulations

The composition of Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949. The Board of the Bank as on March 31, 2024 consisted of thirteen Directors, out of which seven directors are independent Directors.

Ms. Rachna Dikshit, Mr. Kamaldeep Singh Sangha and Mr. Sukhen Pal Babuta were appointed as Independent Director, during the year under review, on the Board of the Bank.

The Bank has obtained declaration of Independence from Mr. Navin Kumar Maini, Mr. Gurpreet Singh Chug, Mr. Sham Singh Bains, Ms. Rachna Dikshit, Mr. Kamaldeep Singh Sangha, Mr. Sukhen Pal Babuta and Mr. Nageswara Rao Yalamanchili and they meet the criteria of independence as laid down under Section 149(6) and 149(7), Schedule IV of the Companies Act, 2013 and Regulation 16(1)(b) & Regulation 25(8) of SEBI Listing Regulations. Further, all the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act. The separate meeting of Independent Directors were conducted on February 01, 2024 & February 26, 2024.

Pursuant to the Rule 8(5)(iiia) of the Companies (Accounts) Rules, 2014, the Board opines that all the Independent Directors of the Bank adhere to corporate integrity, possess the requisite expertise, experience and qualifications to discharge the responsibilities as an Independent Director as mandated by the Companies Act, 2013 and other applicable laws and fulfil the conditions of independence specified in the Act and the SEBI Listing Regulations and that they are independent of the management.

All the Independent Directors of the Bank have been registered and are members of the Independent Directors Databank maintained by the Indian Institute of Corporate Affairs (IICA). Three Independent

BOARD'S REPORT

Directors were already granted exemption. Three Independent Directors had already passed the online Proficiency Self-Assessment test. Mr. Kamaldeep Singh Sangha shall appear for Online Proficiency Self-Assessment Test in due compliance of law.

24 Company's Policy on Directors' Appointment & Remuneration including criteria for determining Qualifications, Attributes, Independence etc. in terms of Section 134(3)(e); Section 178(1) & (3) of the Companies Act, 2013

Basis the 'Fit and Proper' criteria laid down by the Reserve Bank of India, the Nomination and Remuneration Committee (NRC) conducts the due diligence of the Board members on yearly basis except for the Directors who are member of the NRC.

Further Board also conducts due diligence of all the Directors on yearly basis. The due diligence process involves considering the appointment and remuneration of Directors and Key Managerial Personnel as per the guidelines issued by Reserve Bank of India and the Companies Act, 2013. The process contains detailed procedures for determining qualifications, positive attributes, due diligence mechanism and reference checks for appointment of Directors and Key Managerial Personnel.

The Bank has put in place the Compensation Policy for Employees including MD & CEO, WTD and other Material Risk Takers (MRTs) and Comprehensive Compensation policy for Non-Executive Directors with a key objective to support organisational strategy by helping to build a competitive, high performance and accompany with an entrepreneurial culture that attracts, retains, motivates and rewards high performing employees as well as properly compensate the employees vis-à-vis their risk and performance involvement. The policies are available on the website of the Bank at https://www.capitalbank.co.in/investors/secreterial-policies.

25 Performance Evaluation of Board in terms of Section 134(3)(p) of the Companies Act, 2013

The Nomination and Remuneration Committee (NRC) and the Board has approved the evaluation process for evaluating the performance of the Board and Committees as whole and individual director. The separate meeting of Independent Directors held on February 26, 2024 which carried out the annual evaluation of the performance of Non- Executive Non-Independent Directors, Executive Directors, Chairperson, Board as a Whole and Board Committees.

Further the Board of Directors in its meeting held on February 27, 2024 had also conducted the Annual evaluation of performance of Board as a whole, Board Committees, Chairperson, Managing Director, Non-Executive Directors

In accordance with the provisions of Section 149(8) read with Schedule IV, Section 178(2) of the Companies Act, 2013 Regulation 17 and other applicable Regulations of SEBI Listing Regulations, and in consonance with Guidance Note on Board Evaluation issued by the SEBI, the Board assesses the performance of the Individual Director, Board Committees and Board as a whole on the basis of various criteria with the aim to improve the effectiveness of the individual Director, Committees and the Board. The description and process of annual performance evaluation has been provided in Report on Corporate Governance annexed with Board's Report as **Annexure C**.

26 State of the Company's Affairs in terms of Section 134(3)(i) of the Companies Act, 2013

The state of affairs of the Company in details has been given separately in different sections of the Board Report and also under Management Discussion and Analysis. There was no change in status of the Bank during the year ended March 31, 2024.

27 Name of the companies which have become or ceased to be Subsidiaries/ Associates or Joint Ventures during the year in terms of Section 134(3) (q) read with Rule 8(5)(iv) of Companies (Account) Rules, 2014

No company have become or ceased to be the Subsidiary, Joint venture or Associate Company of the Bank during the financial year.

28 Disclosure Under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 in terms of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013

The Bank has formulated Internal Complaint Committees at Head office level and at Cluster level (for Branches). The composition of the committees is in consonance with the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. These committees are formulated for redressal of complaints for Sexual Harassment of women at the workplace ("SH") and take all necessary measures to ensure a harassment-free workplace. The Bank believes that all employees,

BOARD'S REPORT

including other individuals who are dealing with the Bank have the right to be treated with dignity.

The following is the summary of the complaints received and disposed off during the Financial Year 2023–24:

In Head Office (including Regional Offices)

a) No. of SH complaints received: Nil

b) No. of SH complaints disposed off: Nil

In Branches:

a) No. of SH complaints received: Nil

b) No. of SH complaints disposed off: Nil

The Committee believes in ethics and takes appropriate action against the employees who have violated the norms, which includes disciplinary action such as warning letter and in some cases termination of employment depending upon the gravity of violation.

29 Adequacy of Internal Financial Controls Related to Financial Statements

The Companies Act, 2013 has introduced a reasonably advanced reporting concept for auditors i.e. Internal Financial Control (IFC) over financial reporting. Auditors of the Company are required to report on adequacy and operating effectiveness of internal financial controls of the Company with report on financial statements prepared under section 143 of the Companies Act, 2013.

The Bank as per the requirement of section 134(5)(e) of the Companies Act, 2013 has adopted the policies and procedures to ensure orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, timely preparation of reliable financial information.

During the year under review, the Statutory Auditors and the Secretarial Auditors have not reported any instances of frauds committed in the Bank by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in the Report.

30 Directors

The Board of the Bank is duly constituted in accordance with the provisions of Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable law/ guidelines.

Mr. Sarvjit Singh Samra has held the office as Managing Director & CEO of the Bank w.e.f. April 24, 2019 for a period of three years. He has been further re-appointed as Managing Director and CEO of the Bank w.e.f. April 24, 2022 for a period of three years. Mr. Sarvjit Singh Samra has been instrumental in taking key decisions from day one that have contributed to the Bank emerging as the most preferred Bank in its area of operation. His vision to serve common man and the local touch has given the Bank a competitive edge over other banks operating in the area and the Bank is able to provide safe, efficient and service oriented repository of savings to the local community while reducing their dependence on moneylenders by making need-based credit easily available.

Part-time Chairman

Pursuant to the approval of the Reserve Bank of India, Mr. Navin Kumar Maini (DIN: 00419921) is acting as Part-time Chairman of Capital Small Finance Bank Limited for a period of three years w.e.f. April 24, 2022.

Retirement/Appointment of Directors in compliance to Section 10(2A)(i) of the Banking Regulation Act, 1949

The Board is duly constituted as per the provisions of Banking Regulation Act, 1949, Companies Act, 2013, RBI guidelines for Small Finance Banks and SEBI Listing Regulations, as may be applicable.

During the year under review, Mr. Gurdeep Singh (DIN: 01572748) ceased to be the Director of the Bank w.e.f June 13, 2023 pursuant to his resignation due to personal circumstances and commitments.

During the year under review, Ms. Harmesh Khanna (DIN: 03078018) ceased to be the Director of the Bank w.e.f August 21, 2023 on completion of her tenure.

During the year under review, Mr. Rakesh Soni (DIN: 07262045) ceased to be the Director of the Bank w.e.f August 21, 2023 on completion of his tenure.

Further, during the year under review, with the recommendation of Nomination and Remuneration Committee, Mr. Munish Jain (DIN: 10132430) was appointed as Additional Director w.e.f. August 28, 2023 and thereafter appointed as Whole Time Director (designated as Executive Director) of the Bank for a period of three years w.e.f. August 28, 2023 till August 27, 2026. The shareholders of the Bank approved the said appointment in Extra – Ordinary General meeting held on September 25, 2023. He also remained as the Chief Financial Officer of the Bank during the year (ceased as Chief Financial Officer of the Bank w.e.f. April 24, 2024).

BOARD'S REPORT

Further, during the year under review, the Board of Directors in its meeting held on June 26, 2023 on the recommendation of Nomination and Remuneration Committee, had appointed Mr. Kamaldeep Singh Sangha (DIN : 08242130) and Ms. Rachna Dikshit (DIN : 08759332) as Additional Directors (Independent) w.e.f. June 26, 2023.

Further, during the year under review, the Board of Directors in its meeting held on August 11, 2023 on the recommendation of Nomination and Remuneration Committee, had appointed Mr. Sukhen Pal Babuta (DIN : 01739016) as Additional Director (Independent) w.e.f. August 11, 2023.

Further, during the year under review, Mr. Navin Kumar Maini (DIN : 00419921) was re-appointed as Independent Director for second term of three years w.e.f. January 30, 2024 to January 29, 2027 and the Shareholders of the Bank, vide special resolution, approved the same in its Extra – Ordinary General meeting held on September 25, 2023.

Further, during the year under review, Mr. Gurpreet Singh Chug (DIN : 01003380) was re-appointed as Independent Director for second term of three years w.e.f. February 23, 2024 to February 22, 2027 and the Shareholders of the Bank, vide special resolution, approved the same in its Extra – Ordinary General meeting held on September 25, 2023.

Further the Shareholders of the Bank in the Annual General Meeting held on August 11, 2023 had approved the appointment of Mr. Kamaldeep Singh Sangha (DIN : 08242130) & Ms. Rachna Dikshit (DIN : 08759332) as Independent Director w.e.f. June 26, 2023. Further, the shareholders of the Bank in Extra – Ordinary General meeting held on September 25, 2023 approved the appointment of Mr. Sukhen Pal Babuta (DIN : 01739016) as Independent Director w.e.f. August 11, 2023.

Directors Retiring by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Mahesh Parasuraman (DIN: 00233782) Nominee Director being longest in the office shall retire at the forthcoming Annual General Meeting and being eligible for re- appointment, offers himself for re-appointment.

Appointments/Resignations of the Key Managerial Personnel

The Bank had following Key Managerial Personnel ("KMPs") as on April 1, 2023:

Name	Designation
Mr. Sarvjit Singh Samra	Managing Director and Chief Executive Officer
Mr. Munish Jain	Chief Financial Officer and Chief Operating Officer
Mr. Amit Sharma	Company Secretary and Compliance Officer

The Board in its meeting held on August 29, 2023 has elevated Mr. Munish Jain as Executive Director and Chief Financial Officer. Accordingly, as on March 31, 2024, following are the KMPs of the Bank:

Name	Designation
Mr. Sarvjit Singh Samra	Managing Director and Chief Executive Officer
Mr. Munish Jain	Executive Director and Chief Financial Officer
Mr. Amit Sharma	Company Secretary and Compliance Officer

Further, there was no appointment / resignation of any Key Managerial Personnel during the financial year. Post the completion of FY24, the Board of Directors appointed Mr. Aseem Mahajan as the Chief Financial Officer w.e.f. April 24, 2024 of the Bank and pursuant to said appointment, Mr. Munish Jain ceased to hold the position of Chief Financial Officer of the Bank as on even date.

31 Corporate Governance

Corporate governance is the combination of rules, processes or laws by which businesses are operated, regulated or controlled and that aims at effective, transparent, and responsible management of a company within the applicable statutory and regulatory structures.

BOARD'S REPORT

Over the last several years, the external environment in which public companies operate has become increasingly complex for companies and shareholders alike. The increased regulatory burdens imposed on public companies in recent years have added to the costs and complexity of overseeing and managing a corporation's business and bring new challenges from operational, regulatory and compliance perspectives. Many cases of Management failures and financial crisis have been reported in the finance industry during the financial year and all these are the cause of poor corporate governance.

Your Bank has formulated a Corporate Governance framework which ensures timely disclosures and filing of correct information regarding our financials and performance, as well as the leadership and governance of the Bank. The Board is constituted professionally with a strong commitment to shareholder value, transparency, accountability, ethical standards and regulatory compliances.

The Board's supervisory role is independent and separate from the executive management and the Board Committees. The Composition of the Board of Directors as on March 31, 2024 comprised of majority of Independent directors and this is a great step of the Bank towards better Corporate Governance.

The Board presently comprises of thirteen Directors including one-woman director and it provides diverse combination of professionalism, knowledge, expertise and experience as required in the banking business for long-term success. The Board has seven Independent Directors constituting more than one-half of its total membership strength including one women Director and three Nominee Directors. The Directors have distinguished themselves in different walks of life through experience and expertise. The Company recognises and embraces the benefits of having a diverse Board of Directors to enhance the quality of its performance. The Company considers increasing diversity at Board level as an essential element in maintaining a competitive advantage in the complex business that it operates. The identified key skills/ expertise/competencies of the Board and mapping with individual director are provided in the 'Corporate Governance Report', forms a part of this Report.

The Company has duly framed policies and codes which are required under the Act, SEBI Listing Regulations and other Laws/Rules/Regulations as applicable on the Company. The policies/codes as required to disclose on the website of the Company are available at https://www.capitalbank.co.in.

A report on Corporate Governance and Certificate from the Company Secretary in Practice confirming compliance of conditions, as stipulated under SEBI Listing Regulations, is annexed as **Annexure C** and forms an integral part of this Annual Report.

Code of Conduct for Directors and SMPs

In accordance with Regulation 17(5) of SEBI Listing Regulations, the Bank has adopted the Code of Conduct for Directors and Senior Management Personnel ("SMPs"). The code of conduct sets forth the guiding principles for orderly & fair conduct by Directors and SMPs. All Directors and SMPs have affirmed the compliance of the code for the FY24 and a declaration to this effect signed by the MD & CEO forms part of Report on Corporate Governance annexed with Board's Report as **Annexure C**. The Bank's Code of Conduct for Directors and SMPs is disclosed on the website of the Bank at https://www.capitalbank.co.in/investors/secreterial-policies

MEETINGS OF THE BOARD AND COMMITTEES OF THE BOARD

- **Board of Directors**

  Details of the Board of Directors and Board meetings held during the year, are provided in the 'Corporate Governance Report', forms a part of this Report.

  During the year under review, twelve Board Meetings were convened and held, the details of which are given in the 'Corporate Governance Report', forms a part of this Report. The maximum interval between any two consecutive meetings did not exceed 120 days as prescribed under the Companies Act, 2013.

BOARD'S REPORT

- **Committees of Directors**

  The Bank has several committees which have been established as a part of best Corporate Governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes. The Bank has following Committees of the Board as on March 31, 2024



Details of the Committees, along with their composition, charters and meetings held during the year, are provided in the 'Corporate Governance Report', forms a part of this Report. During the financial year 2023-24, the Board has accepted all the recommendations of its Committees.

BOARD'S REPORT

32 Meeting of independent directors

As per the requirement of the Section 149(8) read with Schedule IV of Companies Act, 2013 (Code for Independent Directors) and Regulation 25 of SEBI Listing Regulations, the independent directors of the Company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management.

During the year under review, the Independent Directors of the Bank met 2 (Two) times on February 01, 2024 & February 26, 2024.

33 Details of General Body Meetings

S. No.	Year	Particulars of Meeting	Date and Time	Location	Special Resolution passed, if any
1	2023 - 2024	Extra – Ordinary General Meeting	May 12, 2023 at 11:30 am	Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	Issuance of equity shares by way of preferential issue on private placement basis and execution of transaction documents in respect thereof To consider and approve CSFB Limited - Employees Stock Option Plan 2023 "CSFB ESOP Plan 2023" To re-appoint Mr. Gurdeep Singh (DIN : 01572748) as a non- executive independent director for a second term of three years
2	2023 – 2024	24th Annual General Meeting	August 11, 2023 at 11:00 am	Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	To approve the revised remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for the period commencing from April 24, 2022 till April 23, 2023 To approve the updated remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for financial year 2023-24 onwards
3	2023 - 2024	Extra – Ordinary General Meeting	September 25, 2023 at 11:00 am	Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	To consider and approve the Initial Public Offer To consider and approve adoption of new Articles of Association to re-appoint Mr. Navin Kumar Maini (DIN : 00419921) as a non- executive Independent Director for a second term of three years To re-appoint Mr. Gurpreet Singh Chug (DIN : 01003380) as a non- executive Independent Director for a second term of three years To approve the appointment of Mr. Munish Jain (DIN : 10132430) as Whole time Director (designated as Executive Director) of the Bank

BOARD'S REPORT

34 Corporate Social Responsibility

As a responsible citizen, Capital Small Finance Bank Limited strongly believes in the idea of paying back to the society in order to run a sustainable business. Accordingly, in Capital Small Finance Bank Limited Corporate Social Responsibility is considered as an important function. Our Corporate Social Responsibility (CSR) activities include encouraging education, promoting sports, eradicating hunger and improving health care. We are managing education centres for underprivileged children.

The Company's CSR policy and programmes are in accordance with Section 135 of Companies Act, 2013, the Bank takes multiple initiatives in the areas of education, Rural Sports Development and health. Corporate Social Responsibility Policy of the Bank can also be accessed from the website of the Bank https://www.capitalbank.co.in/investors/secreterial-policies

The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided as **Annexure D** which forms part of the Board's Report.

The Bank undertakes its Corporate Social Responsibility activities through Capital Foundation (a Society Registered under the Societies Registration Act, 1860). During the Year under Societies review, the Bank has disbursed the entire amount of its CSR obligation to the Capital Foundation. As per the report received from the Capital Foundation ₹1,71,95,835/- including the interest thereon has remained unspent for the FY'24 as some of the Ongoing Projects has not been fully matured. Accordingly, as approved by the CSR Committee, the Capital Foundation has transferred the said unspent amount to Unspent Corporate Social Responsibility Account in accordance with the provisions of Section 135(6) of the Companies Act, 2013.

35 Green Initiatives

"Unite to make this planet green and clean"

Deforestation is one of the most pressing environmental issues and a harsh reality of the present times. Large-scale deforestation and various other human activities have drastically added to the Global warming and have caused a major shift in weather patterns across the world. Usage of paper is one of the major reasons for cutting down of trees which in long term is unsustainable.

Keeping in view the harsh reality, the MCA took a great action towards it by coming out with the "Green Initiative in the Corporate Governance" through its circular No. 17/2011 dated April 21, 2011 and No. 18/2011 dated April 29, 2011 dated April 29, 2011.

Under this MCA has provided a welcoming facility of serving notices / documents by companies' to its shareholders through electronic mode. After this great initiative taken by the MCA, companies' are no longer required to give Notice including the Annual Return in physical form to its stakeholders who are having email Id. They can provide in electronic mode at the Registered E-mail Id of the stakeholders.

In view of the said concern, we request all the stakeholders to get their E-mail registered with the Bank so to get the Annual Reports at the E-mail ids instead through paper mode.

Also, registering your e-mail address with us will ensure that we can directly connect with you and no important communication from our side will be missed by you as a shareholder of the Bank.

36 Vigil Mechanism

The Bank has implemented a Whistleblower Policy, which is periodically reviewed, pursuant to which safeguards are being provided against victimisation of employees and Directors. The Policy allows to raise concerns on Reportable Matters (as defined in the policy) such as breach of Bank's Code of Conduct, fraud, bribery, corruption, employee misconduct, illegality, health & safety, environmental issues and wastage/ misappropriation of bank funds/assets, etc. and also provides for direct access to the Ombudsperson, in exceptional cases. The policy is available on the Bank's intranet and website of the Bank. The Whistleblower Policy complies with all the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013, and other applicable laws, rules and regulations, as may be applicable. The updated Whistleblower Policy is also available on the website of the Bank at link www.capitalbank.co.in.

The Bank has also appointed Chief of Internal Vigilance to ensure compliance with all the internal guidelines issued by the Bank from time to time.

The functioning of the Policy is reviewed by the Audit Committee from time to time. During the review period,

BOARD'S REPORT

no concern has been reported in accordance with the said policy and none of any complainant has been denied access to the Audit Committee of the Board.

37 Loans, Guarantees or Investments in securities

Pursuant to Section 186(11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to any loan made, guarantee given or security provided or investment made by a banking company in the ordinary course of business. Therefore, the said provision is not applicable to the Bank.

38 The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year:

During the year, no application was made/ proceeding is pending against the Bank.

39 The details of difference between amount of valuation done at the time of one-time settlement and the valuation done while taking loan from the banks or financial institutions along with the reason thereof:

There was no instance of one-time settlement with any other bank/financial institution during the year ended March 31, 2024.

40 Contracts or Arrangements with Related Parties

All related party transactions that were entered during the Financial Year 2023-24 were in the ordinary course of the business of the Bank and were on arm's length basis and the same is enclosed as **Annexure E** in the prescribed format AOC-2 to this Report. There were no materially significant related party transactions entered by the Bank with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Bank. All such Related Party Transactions are being placed before the Board/Audit Committee for approval, wherever applicable.

Members can also refer the disclosure of transactions with related parties during the financial year under review as set out in the note no. 12 of the Schedule 18 of the Financial Statements of the Bank.

41 Disclosure pursuant to Section 197(14) of the Companies Act, 2013

The Bank does not have any holding or subsidiary company, therefore no disclosure is required to be made pursuant to the provisions of Section 197(14) of the Companies Act, 2013 and as per the relevant rules thereunder.

42 Disclosure pursuant to Section 177(8) of the Companies Act, 2013

During the Financial Year 2023- 2024, there was no recommendation of the Audit Committee which was not accepted by the Board.

43 Change in Nature of Business

Pursuant to the relevant provision of Rule 8(5) of the Company (Accounts) Rules, 2014, there is no change in the nature of Business of the Bank.

44 Auditors & Auditors' Report

Statutory Auditors and Audit

M/s T R Chadha & Co. LLP, Chartered Accountants (Regd. No. 006711N/N500028) were appointed as Statutory Auditors of the Company for three Financial Years starting from 2021-22 by the Shareholders of the Bank in its Annual General Meeting held on August 20, 2021. The continuation of the term of Statutory Auditors was subject to the approval from Reserve Bank of India every year as per the resolution passed in the AGM. The Reserve Bank of India gave approval of appointment for Financial Years 2021-22 and 2022-23.

The Board of Directors, on the recommendation of the Audit Committee, approved the continuation of the term of M/s TR Chadha & Co. LLP as Statutory Auditor for the FY24 in its meeting held on May 19, 2023 and applied with RBI for approval of the same.

BOARD'S REPORT

However, as per communication received from the RBI vide email dated September 13, 2023, M/s T R Chadha & Co. LLP has been found ineligible for appointment as Statutory Auditor for FY24.

The Board of Directors of the Bank in its meeting held on February 27, 2024 took note of the casual vacancy and cessation of the term of M/s T R Chadha & Co. LLP and approved the profiles of two firms in order of preference for the appointment as Statutory Auditors of the Bank for the Financial Year 2023-24, subject to the approval of the Reserve Bank of India (RBI).

The Bank has received the approval of Reserve Bank of India ('RBI') vide its letter dated March 01, 2024 for the appointment M/s S C V & Co. LLP (FRN 000235N/N500089), Chartered Accountants as Statutory Auditors of the Bank for the Financial Year 2023-2024 and the Bank has appointed M/s S C V & Co. LLP (FRN 000235N/N500089), Chartered Accountants as Statutory Auditors of the Bank for the Financial Year 2023-2024 till the conclusion of Annual General Meeting to be held in the Financial 2024-25 to fill the casual vacancy.

No qualifications, reservations or adverse remarks are reported by Statutory Auditors of the Bank, in their Audit report. Information referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Bank had appointed M/s Deepak Arora & Associates, Practicing Company Secretaries through its partner Mr. Deepak Arora (FCS No. 5104 and COP No. 3641) to conduct Secretarial Audit of the Bank.

The Secretarial Audit Report is annexed herewith as **Annexure F** to this report.

No qualifications, reservations or adverse remarks are reported by M/s Deepak Arora & Associates, Practicing Company Secretaries, Secretarial Auditors of the Bank, in their Secretarial Audit report.

Information referred to in the Secretarial Auditors' Report are self-explanatory and do not call for any further comments.

Cost Audit

The Bank is not required to appoint a Cost Auditor. Therefore, maintenance of cost records as specified under subsection (1) of section 148 of the Companies Act, 2013, is not applicable to the Bank.

Annual Secretarial Compliance Report

A Secretarial Compliance Report, pursuant to Regulation 24A of the SEBI Listing Regulations, for the financial year 2023-24 on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder, has been obtained from M/s Deepak Arora & Associate, Practicing Company Secretaries and the same is available on the website of the Company and Stock Exchanges.

45 Familiarisation Programme for Independent Directors

In accordance with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, the Bank, at the Board / Committee meetings, presentations and deep dive sessions, covered important areas of the Bank such as annual plans and strategies, compensation strategy, impact of inflation, non-financial risks, customer services framework, risk management, priority sector lending, liquidity, new regulatory guidelines, etc. during the year under review for the Independent Directors to enable them to familiarise with the Bank, its Management, Bank's Business, and its operations for better understanding of their responsibilities, roles, and rights for effective contribution in sustainable growth of the Bank. The details thereof is disclosed in the Report on Corporate Governance annexed with Board's Report as **Annexure C** and on the website of the Bank under https://www.capitalbank.co.in/investors/secreterial-policies

46 Management Discussion and Analysis Report

The Management Discussion and Analysis Report of the financial conditions and results of operations of the Company for the year under review, as required under Regulation 34(2)(e) of SEBI Listing Regulations, is being given separately and forms a part of the Annual Report.

BOARD'S REPORT

47 Directors' Responsibility Statement

The Board of Directors acknowledge the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, in preparation of annual accounts for the financial year ended March 31, 2024 and state that:

1. In the preparation of the annual accounts for the financial year ended March 31, 2024, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company as at March 31, 2024 and of the profit of the Company for that period;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively.
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD'S REPORT

48 Compliance with Secretarial Standards

The Bank has complied with the all applicable Secretarial Standards issued by the Institute of Company Secretaries of India on regular basis.

49 Investor Relations

Your Company interacted with investors and analysts through one-on-one meetings, conference call and regular quarterly meetings during the year. Earnings call transcripts/recording of the meeting on quarterly/ event-based meetings are posted on the website of the Company.

50 Prevention of Insider Trading

In compliance with the provisions of Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('SEBI (PIT) Regulations'), the Board has adopted a code of conduct to regulate, monitor and report trading by Designated Persons to preserve the confidentiality of price sensitive information, to prevent misuse thereof and regulate trading by designated persons. It prohibits the dealing in the Company's shares by the promoters, promoter group, directors, designated persons and their immediate relatives, and connected persons, while in possession of unpublished price sensitive information in relation to the Company and during the period(s) when the Trading Window, to deal in the Company's shares, is closed. Pursuant to the above, the Company has put in place adequate and effective system of internal controls to ensure compliance with the requirements of the SEBI (PIT) Regulations. The code is available on the Company's website at https://www.capitalbank.co.in/investors/secreterial-policies

The Board of Directors have also formulated a code of practices and procedures for fair disclosure of unpublished price sensitive information containing policy for determination of 'legitimate purposes' as a part of this Code, which is available on the Company's website at https://www.capitalbank.co.in/investors/secreterial-policies

51 Awards and Recognitions

During the year under review, your Company has received the following awards and certifications:

- Honoured with BFSI Best Brands 2024
- Received the LACP Vision Awards Platinum Winner Worldwide in 2023
- Bestowed with the LACP Vision Awards Platinum- Technical Achievement Award in 2023
- Honoured with the LACP Vision Awards Top 100 Reports Worldwide in 2023
- Received the Great Place to Work certification in 2023

BOARD'S REPORT

52 Acknowledgment

The Board of Directors is grateful to the Government of India, Reserve Bank of India, various State Governments, SEBI, IRDA and regulatory authorities in India and overseas for their valuable guidance, support and cooperation.

The Directors record their sincere gratitude to the Bank's shareholders, esteemed customers and all other well-wishers for their continued patronage. The Directors express their appreciation for the contribution made by every member of the staff in ensuring high level of growth that the Bank has achieved during the year.

The Board also places on record its gratitude to the Shareholders, Bankers, Customers, Suppliers and other stakeholders who have extended their valuable sustained support, co-operation and encouragement.

The Board would also like to thank BSE Limited, National Stock Exchange of India Ltd., National Securities Depository Limited, Central Depository Services (India) Limited, Registrar & Share Transfer Agent, Vendors and Service Providers for their continued support & co-operation.

The Directors wish to express their gratitude to Investment Banks & rating agencies for their wholehearted support. The Directors look forward to their continued contribution in realisation of the corporate goals in the years ahead. We wish to apprise our worthy members who have entrusted their trust and confidence in the Bank that Capital Small Finance Bank Limited will venture to strive hard to take long strides ahead with freshly instilled energies.

For and on behalf of the Board of Directors

Sarvjit Singh Samra
Managing Director & CEO
DIN: 0047744

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Place : Jalandhar
Date : May 09, 2024

ANNEXURE – A

DETAILS OF REMUNERATION

Statement under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for year ended March 31, 2024

Persons in service for the whole year and drawing emoluments more than ₹1,02,00,000/- per annum

Name of the Employee	Mr. Sarvjit Singh Samra	Mr. Munish Jain
Designation	Managing Director & CEO	Executive Director & CFO
Remuneration received	₹1.44 crores	₹1.75 crores
Nature of employment, whether contractual or otherwise	Permanent	Permanent
Qualification and Experience of the employee	Qualification: B.A., M.B.A. (Marketing and Finance) Experience: over 37 years of experience in the banking and financial industry spread over various roles, including senior positions.	Qualification: B.COM, FCA, FCS Experience: over 23 years of experience in the banking sector, including in finance, compliance, treasury, strategic decision making and execution of strategic decisions
Date of commencement of employment	July 20, 2003	October 9, 2000
Age of employee	60 years	48 years
Last employment held by employee before joining the Company	Business	Practising Chartered Accountant
The percentage of equity shares held by the employee along with his spouse and dependent children, if such shareholding is not less than two percent of the total equity shares	Mr. Sarvjit Singh Samra holds 11.23% of the total equity shares of the Bank alongwith his spouse as at March 31, 2024	Mr. Munish Jain does not hold 2% or more of the paid up share capital of the Bank as at March 31, 2024
Whether any such employee is a relative of any Director or Manager of the Company and if so, the name of such Director or Manager	Nil	Nil

Notes:

1. Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & super annuation perquisites
2. The appointments are terminable by four months' notice to the Bank.
3. The above value does not include the number of ESOPs granted during the year.

For and on behalf of the Board of Directors

Gurpreet Singh Chug
Independent Director
DIN: 01003380

Sarvjit Singh Samra
Managing Director & CEO
DIN : 00477444

Date : May 09, 2024
Place : Jalandhar

ANNEXURE – B

DETAILS OF REMUNERATION

I. Details pertaining to remuneration as required under section 197(12) read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2023 - 24, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2023-2024 are as under:

S. No.	Name of Director / KMP	Designation	Remuneration Director / KMP for the FY23 (₹ in crores)	Remuneration Director / KMP for the FY24 (₹ in crores)	%age increase in remuneration in the FY24	%age increase in remuneration in the FY23	Ratio of Remuneration of each Director to median remuneration
1	Mr. Sarvjit Singh Samra	Managing Director and CEO	1.71[1]	1.44	-15.84%	90.00%	30.79
2	Mr. Munish Jain	Executive Director & CFO	1.68	1.75	4.17%	2.44%	36.05
3	Mr. Dinesh Gupta	Non–Executive Director	0.20	0.20	Nil	81.81%	5.46
4	Mr. Navin Kumar Maini	Independent Director	0.11	0.12	9.09%	266.67%	3.28
5	Mr. Gurpreet Singh Chug	Independent Director	0.04	0.04	Nil	NA	1.09
6	Mr. Sham Singh Bains	Independent Director	0.04	0.04	Nil	NA	1.09
7	Mr. Nageswara Rao Yalamanchili	Independent Director	0.07	0.09	28.57%	NA	2.46
8	Ms. Rachna Dikshit	Independent Director	NA	0.07	NA	NA	1.84
9	Mr. Kamaldeep Singh Sangha	Independent Director	NA	0.07	NA	NA	1.84
10	Mr. Sukhen Pal Babuta	Independent Director	NA	0.06	NA	NA	1.57
11	Mr. Rakesh Soni	Independent Director	Nil	Nil	NA	NA	-
12	Ms. Harmesh Khanna	Independent Director	0.04	0.016	NA	NA	0.43
13	Mr. Gurdeep Singh	Independent Director	0.04	0.008	NA	NA	0.22
14	Mr. Amit Sharma	Company Secretary	0.13	0.15	15.38%	18.18%	3.69

[1]Includes arrears paid for previous years of ₹0.28 crores

Notes:

- All the employees of the Bank have been considered.
- Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & superannuation perquisites.
- Mr. Kamaldeep Singh Sangha was appointed as Independent director w.e.f June 26, 2023
- Ms. Rachna Dikshit was appointed as Independent director w.e.f June 26, 2023
- Mr. Sukhen Pal Babuta was appointed as Independent director w.e.f August 11, 2023
- Mr. Gurdeep Singh ceased to be the Director of the Bank w.e.f June 13, 2023 pursuant to his resignation due to personal circumstances and commitments.

ANNEXURE – B

- Ms. Harmesh Khanna and Mr. Rakesh Soni ceased to be the Director of the Bank w.e.f August 21, 2023 on completion of their tenure
- Mr. Srinath Srinivasan, Nominee Director (Nominee of Oman India Joint Investment Fund II) and Mr. Balbir Singh, Nominee Director (Nominee of SIDBI) receives only sitting fees. However, Mr. Mahesh Parasuraman, Nominee Director (Nominee of Amicus Capital Private Equity I LLP and Amicus Capital Partners India Fund I) has given waiver for sitting fees.
- The remuneration to Non-executive Independent Directors is being paid w.e.f. April 01, 2023.
- Further, the Bank has paid Sitting fees to the Directors other than the above mentioned remuneration for attending the meetings.

II. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year:

The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year is provided in the above table. Median has been calculated by taking remuneration on annualised basis considering the employees as on year end.

III. The percentage increase in the median remuneration of employees in the Financial Year:

In the Financial Year, there was increase of 3.68% in the median remuneration of employees.

IV. The number of permanent employees on the rolls of Company:

There were 1,876 permanent employees on the rolls of the Company as on March 31, 2024.

V. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Average percentage increase made in the salaries of employees other than the managerial personnel in the Financial Year i.e. 2023 - 24 was 11.46% whereas there was a decrease in the managerial remuneration for the Financial Year 2023- 24 by 10.81%. The remuneration of the Executive Director and the Managing Director is decided based on the individual performances, inflation, prevailing industry trends and benchmarks. For a person being KMP for the current year or part thereof, the consideration paid during the complete financial year has been disclosed.

The remuneration of Non-Executive Directors consists of commission and sitting fees. While deciding the remuneration, various factors such as Director's participation in Board and Committee Meetings during the year, other responsibilities undertaken, such as Membership or Chairmanship of Committees, time spent in carrying out other duties, role and functions as envisaged in Schedule IV of the Act and Listing Regulations and such other factors as the NRC may deem fit etc. were taken into consideration.

VI. Affirmation that the remuneration is as per the remuneration policy of the Company:

It is hereby affirmed that the remuneration paid is as per the Policy for Remuneration of the Directors, Key Managerial Personnel and other Employees.

VII. Statement showing details of employees of the Company:

Particulars of employees remuneration, as required under section 197(12) of the Companies Act, 2013, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms a part of this report. Considering first proviso to Section 136(1) of the Companies Act, 2013, the Annual Report, excluding the said information, was sent to the members of the Bank and others entitled thereto. The said information is available for inspection at the registered office of the Bank during working hours up to the date of ensuing annual general meeting. Any member interested in obtaining such information may write to the Company Secretary at cs@capitalbank.co.in in this regard.

For and on behalf of the Board of Directors

	Gurpreet Singh Chug	**Sarvjit Singh Samra**
Date : May 09, 2024	Independent Director	Managing Director & CEO
Place : Jalandhar	DIN: 01003380	DIN: 00477444

ANNEXURE – C

CORPORATE GOVERNANCE REPORT

1 STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance is the system of rules, practices, and processes by which a Company is directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. The basic principles of corporate governance are accountability, transparency, fairness, responsibility, and risk management.

Basic Principles of Corporate Governance



Adopting high standards gives comfort to all existing and potential stakeholders, including government and regulatory authorities, customers, suppliers, bankers, employees and shareholders.

Your Company is dedicated to embracing and upholding the highest standards of Corporate Governance. Capital Small Finance Bank Limited's philosophy on Corporate Governance is centred around achieving utmost transparency, comprehensive disclosures, accountability, and fairness across all aspects of its operations. The Company is firmly committed to transparency in all transactions, prioritizing ethical business practices. It firmly believes that good Corporate Governance extends beyond financial outcomes and is essential for achieving outstanding performance.

GOVERNANCE STRUCTURE:

Your Company's governance philosophy is executed through a multi-layer governance structure with clearly defined roles and responsibilities for every constituent of the governance system.

Board of Directors

The Board of Directors is tasked with strategically supervising and overseeing the Company's management performance and governance on behalf of shareholders and other stakeholders. The Board ensures adherence to corporate governance standards, transparency, integrity in accounting and financial reporting, and the implementation of effective control systems. They exercise independent judgment and have a critical role in monitoring the Company's operations.

Board Committees:

The Board has constituted various Board committees to deal with specific areas that are assigned to them for either final decision-making or giving appropriate recommendations to the Board. All the committees are responsible for discharging their roles and responsibilities as per its defined charter.

Chairman (Part Time Chairman):

The Company has established separate positions for Chairman (Part Time Chairman) and Managing Director to enhance its governance structure. The Chairman presides over the meetings of the Board and the shareholders. The Chairman acts as the leader of the Board and is responsible for fostering and promoting the integrity of the Board while nurturing a culture where the Board works harmoniously for long - term benefits of the Company and for all its stakeholders.

CORPORATE GOVERNANCE REPORT

Managing Director (MD):

The Managing Director & Chief Executive Officer (MD & CEO) of the Bank is responsible for steering company's growth by implementing business strategies aligned to the vision and mission of the Bank. He is responsible for substantially the whole of the affairs of the Bank under the supervision and control of Board of Directors. He is primarily responsible to carry out the strategic plans and policies and acts as an interface between the Board and employees and between the organization and community. The role and responsibilities of MD & CEO includes: to establish the Bank's vision and mission, to push into new areas of innovation and development, to ensure sustainable growth based on healthy customers connect, to provide differentiated banking services, to build a strong leadership team, to ensure genuine and timely two-way communication with key stakeholders.

Executive Director (ED):

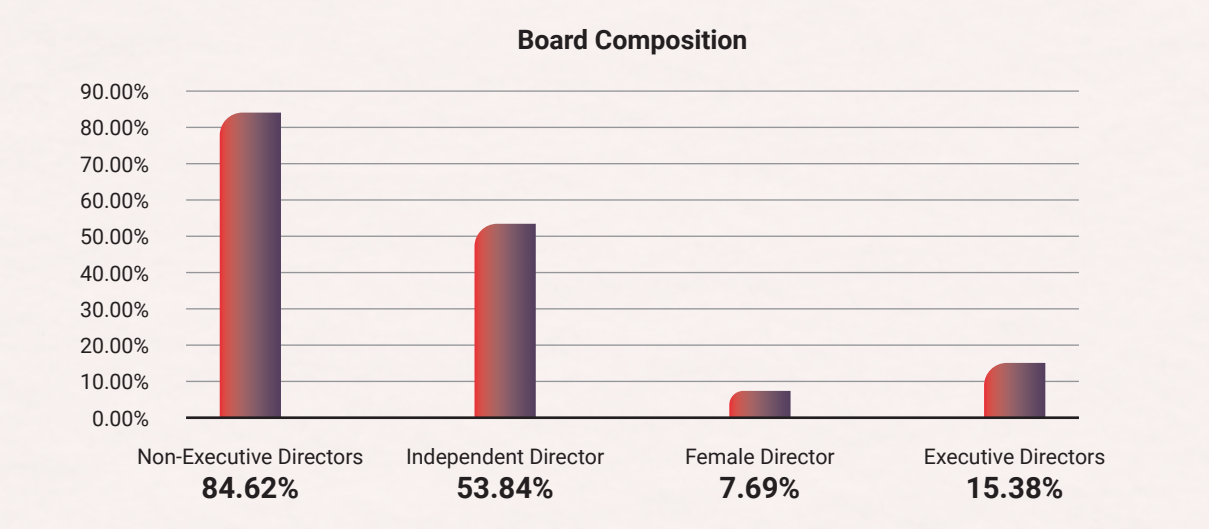
The Executive Director (ED) is responsible for strategic decisions-making on the business, geographical expansion, business segments, to lead the corporate planning by active involvement in spotting new business opportunities, to lead the entire human resource function, to develop and improve efficiency and risk mitigation by establishing clear cut KRAs and SOPs for effective functioning, to strive to align organizational behaviour with Bank's vision and mission, to ensure achievement of the business targets, to make best use of the resources to provide customer satisfaction and to ensure outreach to the customers with the digital journey of the Bank. He is also entrusted with the responsibility of developing differentiated banking, Capital Raising, Business Plan Formulation, System Designing, Audit & Statutory Requirements and to lead change and ensure its acceptability across the Bank.

Core Management Team:

The Core Management team, to set and deliver the strategic long-term growth agenda for the Company by creating and delivering best class practices, processes and products. The team drives the growth ambition and sustainability initiatives across the organisation.

2 BOARD OF DIRECTORS

A) Board Composition



As on March 31, 2024, the Board of the Company comprises of thirteen directors, headed by Non-Executive Part – time Chairman. The Board consists of two Executive Directors (Managing Director and Executive Director), seven Non-Executive Independent Directors, three Non – Executive Nominee Directors and one Non- Executive Non-Independent Director. The Board has an appropriate mix of professionals, experience and knowledge which enables the Board to discharge its responsibilities effectively.

Profile of the Directors is available on the website of the Company viz. www.capitalbank.co.in.

CORPORATE GOVERNANCE REPORT

Director's composition and categorization

Category of Director	No. of Director(s)	Name of Director	DIN	Promoter / Promoters Group	Date of first Appointment	Current Tenure Till	No. of Shares held on March 31, 2024
Executive Directors	2	Mr. Sarvjit Singh Samra	00477444	☑	31-05-1999	23-04-2025	41,74,619
		Mr. Munish Jain	10132430	☒	28-08-2023	27-08-2026	2,11,521
Non-Executive Nominee Director	2	Mr. Balbir Singh	02284941	☒	09-03-2022	NA[1]	Nil
	1	Mr. Mahesh Parasuraman	00233782	☒	16-12-2019	NA[1]	Nil
		Mr. Srinath Srinivasan	00107184	☒	16-12-2019	NA[1]	Nil
Non – Executive Non – Independent Director	1	Mr. Dinesh Gupta	00475319	☑	30-01-2019	NA[1]	2,95,920
Independent Directors	2	Mr. Navin Kumar Maini[2]	00419921	☒	30-01-2019	29-01-2027	Nil
	2	Mr. Gurpreet Singh Chug	01003380	☒	23-02-2019	22-02-2027	31,732
	2	Mr. Nageswara Rao Yalamanchili	06651230	☒	29-06-2022	28-06-2027	Nil
	2	Mr. Sham Singh Bains	01537844	☒	09-11-2017	08-11-2025	63
	2	Mr. Sukhen Pal Babuta	01739016	☒	11-08-2023	10-08-2028	Nil
	1	Mr. Kamaldeep Singh Sangha	08242130	☒	26-06-2023	25-06-2028	Nil
		Ms. Rachna Dikshit	08759332	☒	26-06-2023	25-06-2028	Nil

No. of Directors - 1 Director = 1 | Yes - ☑ No - ☒

[1] *Director liable to retire by rotation.*

[2] *Mr. Navin Kumar Maini is acting as Part-time Chairman of Bank for a period of three years w.e.f. April 24, 2022*

There is no inter-se relationship between the Board members.

Directorship and Committee's Membership of Directors

Name of Director	Number of Directorship(s) held in other Indian public limited companies[1]	Directorship in other listed entities			Committee position (Including CSFB)[2]	
		Name of the Listed entity	Category of Directorship*	Resigned in last 3 years	Membership held	Out of total membership, Chairmanship held
Mr. Navin Kumar Maini	Nil	Nil	-	Urgo Capital Limited (08.02.2022)	1	-
Mr. Gurpreet Singh Chug	Nil	Nil	-	Nil	1	1
Mr. Dinesh Gupta	Nil	Nil	-	Nil	2	1
Mr. Balbir Singh	2	Nil	-	Nil	-	-
Mr. Nageswara Rao Yalamanchili	Nil	Nil	-	IKF Finance Limited (11.08.2023), Bank of Maharashtra (21.01.2021)	1	-

CORPORATE GOVERNANCE REPORT

Name of Director	Number of Directorship(s) held in other Indian public limited companies[1]	Directorship in other listed entities			Committee position (Including CSFB)[2]	
		Name of the Listed entity	Category of Directorship*	Resigned in last 3 years	Membership held	Out of total membership, Chairmanship held
Mr. Munish Jain	Nil	Nil	-	Nil	-	-
Mr. Sarvjit Singh Samra	Nil	Nil	-	Nil	-	-
Mr. Sham Singh Bains	Nil	Nil	-	Nil	2	-
Mr. Mahesh Parasuraman	1	Nil	-	Nil	1	-
Mr. Srinath Srinvasan	Nil	Nil	-	Nil	-	-
Mr. Kamaldeep Singh Sangha	Nil	Nil	-	Nil	1	-
Ms. Rachna Dikshit	2	India Shelter Finance Corporation Limited	Non-Executive Independent Director	Capital India Finance Limited (08.08.2023)	1	1
Mr. Sukhen Pal Babuta	Nil	Nil	-	Nil	1	-

[1] Excludes directorship in Foreign Companies, Private Limited Companies and Section 8 Company

[2] For the purpose of considering the Committee Membership and Chairmanship of a Director, the Audit Committees and Stakeholders' Relationship Committee of all Public Limited Companies have been considered.

None of the Directors on the Board is a director in more than seven listed entities. None of the Non-Executive Directors is an Independent Director in more than seven listed entities as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'SEBI Listing Regulations').

Further, the Managing Director and Executive Director does not serve as Independent Director in any other listed company. None of the Directors held directorships in more than twenty Indian companies, with more than ten public limited companies. All Directors are in compliance with the limit on Directorships / Independent Directorships of listed companies as prescribed under Regulation 17A of the SEBI Listing Regulations.

None of the Directors on the Board is a member of more than ten committees or chairman of more than five committees (Audit Committee and Stakeholders' Relationship Committee) across all public limited companies in which he/she is a director. Necessary disclosures regarding their committee positions have been made by all the directors.

The Company has not issued any convertible instruments to the directors.

B) Chairman of the Board

Mr. Navin Kumar Maini acted as Non-Executive Part – Time Chairman of the Board. The Part - Time Chairman presides over the meetings of the Board and of the shareholders of the Company.

C) Independent Directors

The Independent Directors of the Company have been appointed in terms of the requirements of Companies Act, 2013 ('the Act'), the SEBI Listing Regulations. Independent Directors have confirmed that they meet the criteria of independence as defined under Regulation 16(1) (b) of the SEBI Listing Regulations and Section 149(6) of the Act. The maximum tenure of Independent Directors is in compliance with the provision of the Act.

In terms of Regulation 25(8) of the SEBI Listing Regulations and section 149(7) of the Act, the Independent Directors have confirmed that they are not aware of any circumstances or situations which exist or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

CORPORATE GOVERNANCE REPORT

The Board is of the opinion that the Independent Directors fulfil the independence criteria specified in the Act and the SEBI Listing Regulations and that they are independent of the management. In terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014, the Independent Directors have confirmed that they have enrolled themselves in the Independent Directors' Data bank maintained with the Indian Institute of Corporate Affairs.

D) Woman Independent Director

Pursuant to the requirement of Regulation 17(1) (a) Ms. Rachna Dikshit is a Non-Executive Woman Independent Director on the Board of the Company.

E) Board Skills and Expertise

The Board of the Company is composed of appropriately qualified people with a broad range of experience relevant to the business of the Company, which is important to achieve effective corporate governance and sustained commercial success of the Company. All appointments at Board level are made on merit, in the context of skills, experience, independence, knowledge and integrity, which the Board requires to be effective.

The Board of Directors have, based on the recommendations of the Nomination and Remuneration Committee, identified the following key skills/expertise/ competencies of Directors as required in the context of business of the Company for its effective functioning which are currently possessed by the Board Members of the Company and mapped against each of the Directors.

Key skills and attributes which are considering while identifying, selecting and nominating the candidate to serve, which on the Board of the Company.

Expertise Skill of individual directors are highlighted below:

Mr. Navin Kumar Maini

Banking

Mr. Sarvjit Singh Samra

Banking, Finance, Cooperation and Marketing

Mr. Munish Jain

Banking, Risk, Accountancy, Finance, Taxation, Audit & Information Technology

Mr. Gurpreet Singh Chug

Law, Finance & SSI

Mr. Dinesh Gupta

Law, Banking and Finance

Mr. Balbir Singh

Banking and Finance

Mr. Nageswara Rao Yalamanchili

Banking, Information Technology and Risk Management

Mr. Sham Singh Bains

Agriculture & Rural Economy

Mr. Mahesh Parasuraman

Finance, Taxation, Business Advisory

Mr. Srinath Srinvasan

Finance & Admin

Mr. Kamaldeep Singh Sangha

Cooperation, Banking, Public Administration, Agriculture

Ms. Rachna Dikshit

Banking and Finance

Mr. Sukhen Pal Babuta

Accountancy, Finance, Taxation & Audit

F) Conduct of Board proceedings

The day-to-day matters concerning the business are conducted by the executives of the Company under the direction of Managing Director and Executive Director with ultimate supervision by the Board. The Company holds Board Meetings at regular intervals. The Directors are informed about the venue, date and time of the meeting in advance in writing at their registered e-mail IDs. Detailed agenda papers along with explanatory statements are circulated to the Directors in advance. The Board has complete access to all information of the Company. All information stipulated in the Companies Act and SEBI Listing Regulations, are regularly provided to the Board as a part of the agenda papers. Directors actively participate in the Board meetings and contribute significantly by expressing their views, opinions and suggestions. Video conferencing facilities are used to facilitate directors for participation in the meeting. Decisions are taken after proper and thorough discussions. The Board periodically reviews the compliance report of all laws applicable to the Company.

G) Attendance of Directors at Board Meetings and Annual General Meeting (AGM)

Twelve Board Meetings were held during FY 2023-24 and the gap between two consecutive Board Meetings did not exceed 120 days. The requisite quorum was present at all the Board Meetings.

The directors' attendance at Board Meetings and Annual General Meeting held during the year are given below:

Name of Directorm	Attendance at AGM held on August 11, 2023	Attendance at the Board Meeting held on												No. of Board meetings	
		May 19, 2023	June 26, 2023	July 03, 2023	August 11, 2023	August 29, 2023	September 25, 2023	November 08, 2023	January 15, 2024	February 01, 2024	February 10, 2024	February 13, 2024	February 27, 2024	Held	Attended
Mr. Sarvjit Singh Samra	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12	12
Mr. Munish Jain*	✓	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	7	7
Mr. Dinesh Gupta	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	LOA	✓	✓	12	11
Mr. Mahesh Parasuraman	LOA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12	12
Mr. Srinath Srinivasan	LOA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	LOA	12	11
Mr. Balbir Singh	LOA	LOA	✓	LOA	LOA	✓	LOA	LOA	LOA	LOA	LOA	LOA	✓	12	3
Mr. Navin Kumar Maini	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12	12
Mr. Gurpreet Singh Chug	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12	12
Mr. Sham Singh Bains	LOA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12	12
Mr. Nageswara Rao Yalamanchili	LOA	✓	✓	LOA	✓	✓	✓	✓	✓	✓	✓	✓	✓	12	11
Ms. Rachna Dikshit#	✓	✗	✗	✓	✓	✓	LOA	✓	✓	✓	LOA	✓	✓	10	8
Mr. Kamaldeep Singh Sangha##	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10	10

Present (Chairman) = | Present = | Absent = | Not Member = | Leave of Absence = LOA

Name of Directorm	Attendance at AGM held on August 11, 2023	Attendance at the Board Meeting held on												No. of Board meetings	
		May 19, 2023	June 26, 2023	July 03, 2023	August 11, 2023	August 29, 2023	September 25, 2023	November 08, 2023	January 15, 2024	February 01, 2024	February 10, 2024	February 13, 2024	February 27, 2024	Held	Attended
Mr. Sukhen Pal Babuta###	-	⊗	⊗	⊗	⊗	✓	✓	✓	✓	✓	LOA	✓	✓	8	7
Mr. Gurdeep Singh@	-	LOA	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	1	-
Ms. Harmesh Khanna@@	✓	✓	✓	✓	✓	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	4	4
Mr. Rakesh Soni@@@	✓	✓	✓	✓	LOA	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	4	3

Present (Chairman) = | Present = ✓ Absent = | Not Member = ⊗ | Leave of Absence = LOA

** Mr. Munish Jain was appointed as Additional Director of the Bank w.e.f. August 28, 2023 and thereafter appointed as Whole – time Director (designated as Executive Director) for a period of three years w.e.f. August 28, 2023 in the Extra – Ordinary General Meeting held on September 25, 2023.*

 # Ms. Rachna Dikshit was appointed as Additional Director (Independent) w.e.f. June 26, 2023 and thereafter appointed as Independent Director for a period of five years w.e.f. June 26, 2023 to June 25, 2028.

Mr. Kamaldeep Singh Sangha was appointed as Additional Director (Independent) w.e.f. June 26, 2023 and thereafter appointed as Independent Director for a period of five years w.e.f. June 26, 2023 to June 25, 2028.

Mr. Sukhen Pal Babuta was appointed as Additional Director (Independent) w.e.f. August 11, 2023 and thereafter appointed as Independent Director for a period of five years w.e.f. August 11, 2023 to August 10, 2028.

@ Mr. Gurdeep Singh resigned as the Director of the Bank w.e.f June 13, 2023 due to personal circumstances and commitments.

@@ Ms. Harmesh Khanna (DIN: 03078018) ceased to be the Director of the Bank w.e.f August 21, 2023 due to completion of her tenure

@@@ Mr. Rakesh Soni (DIN: 07262045) ceased to be the Director of the Bank w.e.f August 21, 2023 due to completion of his tenure

H) Independent Directors' meeting

As per the requirement of the Companies Act, 2013 and Regulation 25(3) of SEBI Listing Regulations, a meeting of the Independent Directors of the Bank is required to be held at least once a year in absence of non-independent directors.

During the FY 2023 – 2024, there were two meetings of Independent Directors of the Company i.e., on February 01, 2024 and February 26, 2024, chaired by Mr. Navin Kumar Maini (Part – Time Chairman). The Independent Directors of the Company in their meeting held on February 26, 2024, attended by all the Independent directors except Mr. Sukhen Pal Babuta, discussed, and reviewed the performance of Non-Independent Directors, the Board of Directors as a whole, Chairperson of the Company, and assessed the quality, quantity and timeliness of flow of information between the Company's management & the Board. They have shown their satisfaction on the same.

I) Certificate of non- disqualification of directors

As per the requirements of SEBI (LODR) Regulations, a certificate issued by M/s. B K Sharma & Associates, Practising Company Secretaries, confirming that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors of companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority. The said certificate is available on the website of the Company.

CORPORATE GOVERNANCE REPORT

J) Familiarisation Programme for Independent Directors:

Regulation 25(7) of the SEBI Listing Regulations require that Independent Directors should be familiarized with:

i. Nature of the industry in which the company operates

ii. Business model of the company

iii. Roles, rights, responsibilities of independent directors, and

iv. Other relevant information

A majority of the Directors of the Bank have been associated with the Bank for more than 3 years and have deep and in depth understanding of the business model, business processes and business environment of the Bank. Each director has special knowledge and practical experience in various areas as required in terms of provisions of Section 10-A (2) (a) of the Banking Regulation Act, 1949. However, the familiarization of directors is an ongoing process; business updates, regulatory changes, and other relevant information are communicated to directors at regular intervals.

The Independent Directors of the Bank routinely engage in one-on-one discussions with the senior management of the Bank on their matters of interest and for a better understanding of the various aspects of the Bank's business and functioning.

During the year, at the Board / Committee meetings, presentations and deep dive sessions are made covering important areas of the Bank such as annual plans and strategies, compensation strategy, impact of inflation, non-financial risks, customer services framework, risk management, priority sector lending, liquidity, new regulatory guidelines, etc.

The details regarding the familiarization of directors are provided at the website of the Bank at www.capitalbank.co.in.

3 BOARD COMMITTEES

Board Statutory Committees



CORPORATE GOVERNANCE REPORT

Audit Committee

Mr. Gurpreet Singh Chug, Chairperson

1. Audit Committee

The Audit Committee of the Company is constituted in accordance with the provisions of Regulation 18 of the SEBI Listing Regulations and the provisions of Section 177 of Act. During the year, the Audit Committee was reconstituted, and present members of the Committee are stated hereunder. All Members of the Committee are financially literate. Mr. Gurpreet Singh Chug, Chairperson of the Committee, is having the relevant accounting and financial management expertise. The terms of reference of the Audit Committee are based on the role of the Audit Committee, as mentioned in Section 177 of the Act, Regulation 18 of the SEBI Listing Regulations and as determined by the Board which inter alia, includes the following:

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 7**
Mr. Gurpreet Singh Chug	Independent Director		Dates of the meetings: -
Mr. Dinesh Gupta	Non – Executive Director		May 17, 2023
Mr. Sham Singh Bains	Independent Director		August 10, 2023
Mr. Kamaldeep Singh Sangha	Independent Director		September 25, 2023
Mr. Sukhen Pal Babuta	Independent Director		November 02, 2023
			January 15, 2024
			February 23, 2024
			March 12, 2024

Chairperson = | Member =

During the year Audit Committee was reconstituted in the Board meeting held on August 11, 2023 and Chairmanship was changed from Mr. Rakesh Soni, Independent Director to Mr. Gurpreet Singh Chug, Independent Director.

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

1. The Audit Committee has the powers to investigate any activity, seek information from any employee of the Bank, obtain outside legal or other professional advice; Such powers as may be prescribed under the Companies Act, 2013 (together with the rules thereunder) and SEBI Listing Regulations.
2. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Recommendation for appointment, replacement, reappointment and approval for remuneration and terms of appointment of statutory auditors of the Bank.
4. Monitoring the end use of funds raised through public offers and related matter.
5. Evaluation of internal financial controls and risk management systems.
6. Approval or any subsequent modification of transactions of the Bank with related parties.
7. To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time.
8. To review the functioning of the whistle blower mechanism.
9. To review the working of compliance and Vigil Department division.
10. Carrying out any other function as may be required / mandated as per the provisions of the Companies Act, 2013, the SEBI Listing Regulations, any directions, circulars, notification issued by the Reserve Bank of India and/or any other applicable laws.

CORPORATE GOVERNANCE REPORT

The composition of the Committee, details of meetings held and attendance of the members during the Financial Year 2023 – 2024 is given hereunder:

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Audit Committee Meeting held on							No. of Meetings	
			May 17, 2023	August 10, 2023	Sept 25, 2023	Nov 02, 2023	Jan 15, 2024	Feb 23, 2024	March 12, 2024	Held	Attended
Mr. Gurpreet Singh Chug	Independent Director	Chairperson	✓	✓	✓	✓	✓	LOA	✓	7	**6**
Mr. Dinesh Gupta	Non – Executive Director	Member	✓	✓	LOA	✓	LOA	✓	✓	7	**5**
Mr. Sham Singh Bains	Independent Director	Member	✓	✓	✓	✓	✓	✓	✓	7	**7**
Mr. Kamaldeep Singh Sangha	Independent Director	Member	✗	✗	✓	✓	✓	✓	✓	5	**5**
Mr. Sukhen Pal Babuta	Independent Director	Member	✗	✗	✓	✓	✓	✓	✓	5	**5**
Mr. Rakesh Soni*	Independent Director	Chairperson	✓	✓	✗	✗	✗	✗	✗	2	**2**
Ms. Harmesh Khanna*	Independent Director	Member	✓	✓	✗	✗	✗	✗	✗	2	**2**

Chairperson = | Member = | Present = | Absent = | Not Member = | Leave of Absence = LOA

** Ceased to be member of the Committee during the FY 2023 – 2024*

The gap between two consecutive Audit Committee Meetings did not exceed 120 days. Requisite quorum was present at the abovementioned Meetings. The Audit Committee meetings are usually attended by the Managing Director, CFO and the respective head of the departments, wherever required. The Statutory Auditors and Internal Auditors also attends the Audit Committee meetings by invitation. During the year, the Audit Committee reviewed key audit findings covering Operational, Financial and Compliance areas. Risk Mitigation Plan covering key risks affecting the Company were also presented to the Committee. Mr. Rakesh Soni, Chairperson of the Audit Committee, was present at the Annual General Meeting (AGM) of the Company held on August 11, 2023.

Nomination and Remuneration Committee

Mr. Kamaldeep Singh Sangha, Chairperson

2. Nomination and Remuneration Committee

The Company has Nomination and Remuneration Committee (NR Committee) in terms of Section 178 of the Companies Act, 2013, Regulation 19 of the SEBI Listing Regulations and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. During the year, the NR Committee was reconstituted and present members of the Committee are stated hereunder. The terms of references of the Committee is in accordance with the Companies Act, 2013 and SEBI Regulations inter-alia includes:

CORPORATE GOVERNANCE REPORT

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 5**
Mr. Kamaldeep Singh Sangha	Independent Director		Dates of the meetings: -
Mr. Dinesh Gupta	Non – Executive Director		April 29, 2023
Mr. Gurpreet Singh Chug	Independent Director		May 12, 2023
Mr. Sham Singh Bains	Independent Director		June 23, 2023
			August 04, 2023
			September 12, 2023

Chairperson = | Member =

During the year Chairmanship was changed from Mr. Gurpreet Singh Chug, Independent Director to Mr. Kamaldeep Singh Sangha, Independent Director.

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities:

1. To consider 'Fit and proper' criteria for directors at the time of appointment/renewal of appointment of the Bank
2. To consider the remuneration proposed to be paid to Managing Director/Whole Time Director as per Compensation Policy of the Bank and recommendation of same to the Board.
3. Take into account, financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
4. To consider to be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Bank and the shareholders.

The composition of the Committee, details of meetings held and attendance of the members during the Financial Year 2023 – 2024 is given hereunder:

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on					No. of Meetings	
			April 29, 2023	May 12, 2023	June 23, 2023	Aug 04, 2023	Sept 12, 2023	Held	Attended
Mr. Kamaldeep Singh Sangha	Independent Director		✗	✗	✗	✗	✓	1	**1**
Mr. Dinesh Gupta	Non – Executive Director		✗	✗	✗	✗	✓	1	**1**
Mr. Gurpreet Singh Chug	Independent Director	#/	✓	✓	✓	✓	✓	5	**5**
Mr. Sham Singh Bains	Independent Director		✓	✓	✓	✓	✓	5	**5**
Mr. Rakesh Soni*	Independent Director		✓	✓	✓	✓	✗	4	**4**
Mr. Gurdeep Singh*	Independent Director		✓	✓	✗	✗	✗	2	**2**

Chairperson = | Member = | Present = | Absent = | Not Member =

** Ceased to be member of the Committee during the FY 2023 - 2024*

 # Ceased to be chairman during the FY 2023 - 24 w.e.f August 11, 2023.

Requisite quorum was present at the abovementioned Meetings. Mr. Gurpreet Singh Chug, Chairperson of the Nomination and Remuneration Committee, was present at the Annual General Meeting (AGM) of the Company held on August 11, 2023.

CORPORATE GOVERNANCE REPORT

Stakeholders' Relationship Committee

Mr. Dinesh Gupta, Chairperson

3. Stakeholders' Relationship Committee

The constitution and terms of reference of Stakeholders' Relationship Committee (SRC) are in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of SEBI Listing Regulations. The present constitution of Stakeholders' Relationship Committee is stated hereunder.

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 1**
Mr. Dinesh Gupta	Non – Executive Director		Dates of the meetings: -
Mr. Navin Kumar Maini	Independent Director		February 26, 2024
Mr. Sham Singh Bains	Independent Director		
Mr. Nageswara Rao Yalamanchili	Independent Director		

Chairperson = | Member =

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

1. Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
2. Review of adherence to the service standards adopted by our Bank in respect of various services being rendered by the Registrar and Share Transfer Agent;
3. Consider and resolve grievances of security holders of our Bank.
4. Review of measures taken for effective exercise of voting rights by shareholders.
5. Review of the various measures and initiatives taken by our Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of our Bank;
6. Carrying out any other functions contained in the Companies Act, 2013 and/or equity listing agreements (as applicable).

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on	No. of Meetings	
			February 26, 2024	Held	Attended
Mr. Dinesh Gupta	Non – Executive Director			1	1
Mr. Navin Kumar Maini	Independent Director			1	1
Mr. Sham Singh Bains	Independent Director			1	1
Mr. Nageswara Rao Yalamanchili	Independent Director			1	1

Chairperson = | Member = | Present = | Absent =

CORPORATE GOVERNANCE REPORT

Corporate Social Responsibility

Mr. Sham Singh Bains, Chairperson

4. Corporate Social Responsibility

The Company has a Corporate Social Responsibility (CSR) Committee in compliance with the provisions of Section 135 of the Companies Act, 2013. During the year, the CSR Committee was reconstituted and present members of the Committee are stated hereunder.

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 1**
Mr. Sham Singh Bains	Independent Director		Dates of the meetings: -
Mr. Sarvjit Singh Samra	Managing Director		May 17, 2023
Mr. Gurpreet Singh Chug	Independent Director		November 16, 2023
Mr. Nageswara Rao Yalamanchili	Independent Director		
Mr. Sukhen Pal Babuta	Independent Director		

Chairperson = | Member =

The Chairperson was changed from Mr. Sarvjit Singh Samra, Managing Director to Mr. Sham Singh Bains, Independent Director.

The Company Secretary acts as a Secretary to the Committee.

Brief Terms of Reference and Responsibilities: -

1. To formulate and recommend to the Board of Directors, the CSR Policy, indicating the CSR activities to be undertaken as specified in Schedule VII of the Companies Act, 2013, as amended.
2. To recommend to the Board of Directors, the amount of expenditure to be incurred on the CSR activities.
3. To monitor the CSR Policy and its implementation by the Bank from time to time.
4. To approve the CSR projects of the Bank.
5. To perform such other functions or responsibilities and exercise such other powers as may be conferred upon the CSR Committee in terms of the provisions of Section 135 of the Companies Act, 2013, as amended and the rules framed thereunder.

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on		No. of Meetings	
			May 17, 2023	November 16, 2023	Held	Attended
Mr. Sham Singh Bains	Independent Director				2	2
Mr. Sarvjit Singh Samra	Managing Director	#/			2	2
Mr. Gurpreet Singh Chug	Independent Director				1	1
Mr. Nageswara Rao Yalamanchili	Independent Director				1	1

Chairperson = | Member = | Present = | Absent = | Not Member =

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on		No. of Meetings	
			May 17, 2023	November 16, 2023	Held	Attended
Mr. Sukhen Pal Babuta	Independent Director		✗	✓	1	1
Mr. Rakesh Soni*	Independent Director		✓	✗	1	1
Mr. Gurdeep Singh*	Independent Director		✗	✗	1	0

Chairperson = | Member = | Present = | Absent = | Not Member =

** Ceased to be member of the Committee during the FY 2023 - 2024*

 # Ceased to be the chairman during FY 2023 - 24 w.e.f August 11, 2023

Management Committee

Mr. Sarvjit Singh Samra, Chairperson

5. Management Committee

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 6**
Mr. Sarvjit Singh Samra	Managing Director		Dates of the meetings: -
Mr. Dinesh Gupta	Non – Executive Director		May 15, 2023
Mr. Sham Singh Bains	Independent Director		September 29, 2023
Mr. Nageswara Rao Yalamanchili	Independent Director		November 3, 2023
Ms. Rachna Dikshit	Independent Director		January 25, 2024
			March 11, 2024
			March 28, 2024

Chairperson = | Member =

Management Committee was reconstituted during the year.

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

1. To consider and review the Financial Statements.
2. To review the performance of the Bank against projections as per Business Plan.
3. To review and approve the business plan.
4. To consider and approve Half yearly budget.
5. To review non-performing borrower accounts.
6. To review the operations/ payment channels/ issue of debit cards.
7. To review investment portfolio of the bank as well as Investment Exposure Norms.
8. To reviews limits of Money Market Instruments (Call/Term/Notice) Limits as per the RBI guidelines.
9. To approve yearly Investment Strategy, appointment of Investment Officers and approve Securities Broker
10. To review Internal Auditors remarks in Concurrent Audit of Investments.

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on						No. of Meetings	
			May 15, 2023	September 29, 2023	November 03, 2023	January 25, 2024	March 11, 2024	March 28, 2024	Held	Attended
Mr. Sarvjit Singh Samra	Managing Director		✓	✓	✓	✓	✓	✓	6	6
Mr. Dinesh Gupta	Non – Executive Director		✓	✓	✓	✓	✓	✓	6	6
Mr. Gurpreet Singh Chug*	Independent Director		✓	✗	✗	✗	✗	✗	1	1
Mr. Rakesh Soni*	Independent Director		✓	✗	✗	✗	✗	✗	1	1
Mr. Sham Singh Bains	Independent Director		✗	✓	✓	✓	✓	✓	5	5
Ms. Rachna Dikshit	Independent Director		✗	✓	✓	✓	✓	✓	5	3
Mr. Nageswara Rao Yalamanchili	Independent Director		✗	✗	✗	✓	✓	✓	3	3
Ms. Harmesh Khanna*	Independent Director		✓	✗	✗	✗	✗	✗	1	0

Chairperson = | Member = | Present = | Absent = | Not Member = ✗

** Ceased to be member of the Committee during the FY 2023 - 2024*

Risk Management Committee

Ms. Rachna Dikshit, Chairperson

6. Risk Management Committee

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 4**
Ms. Rachna Dikshit	Independent Director		Dates of the meetings: -
Mr. Dinesh Gupta	Non – Executive Director		May 15, 2023
Mr. Gurpreet Singh Chug	Independent Director		September 29, 2023
Mr. Nageswara Rao Yalamanchili	Independent Director		November 3, 2023
Mr. Kamaldeep Singh Sangha	Independent Director		March 11, 2024

Chairperson = | Member =

During the year, Risk Management Committee was reconstituted in the Board meeting held on August 11, 2023 and the Chairperson was changed from Ms. Harmesh Khanna, Independent Director to Ms. Rachna Dikshit, Independent Director.

The Company Secretary acts as a Secretary to the Committee.

CORPORATE GOVERNANCE REPORT

Brief Terms of Reference and Responsibilities: -

1. To review the Credit Risk Management System – Exposure Norms, Concentration of Advances, Credit wise & segment wise classification of Advances, Quality of Loan Portfolio, independent validation of credit rating, risk pricing of assets.
2. To review the Market Risk – present market positions, liquidity risk, interest rate risk and minutes of ALCO, Review and approval of market risk limits.
3. To review the report on Internal Capital Adequacy Assessment.
4. To review IT risk assessment.
5. To review operation Risk assessment with special attention to KYC, Re KYC, AML aspects.
6. To Review the Risk Management and Asset & Liability Policy.
7. To review the Contingency Plan.
8. To review the Risk Appetite Statement.

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on				No. of Meetings	
			May 15, 2023	September 29, 2023	November 03, 2023	March 11, 2024	Held	Attended
Ms. Rachna Dikshit	Independent Director	Chairperson	Not Member	Absent	Present	Present	3	**2**
Mr. Dinesh Gupta	Non – Executive Director	Member	Present	Present	Absent	Present	4	**3**
Mr. Gurpreet Singh Chug	Independent Director	Member	Present	Present	Present	Present	4	**4**
Mr. Nageswara Rao Yalamanchili	Independent Director	Member	Not Member	Present	Present	Present	3	**3**
Mr. Kamaldeep Singh Sangha	Independent Director	Member	Not Member	Present	Present	Present	3	**3**
Mr. Rakesh Soni*	Independent Director	Member	Present	Not Member	Not Member	Not Member	1	**1**
Ms. Harmesh Khanna*	Independent Director	Chairperson	Absent	Not Member	Not Member	Not Member	1	**0**

Chairperson = | Member = | Present = | Absent = | Not Member =

** Ceased to be member of the Committee during the FY 2023 - 2024*

CORPORATE GOVERNANCE REPORT

IT Strategy Committee

Mr. Nageswara Rao Yalamanchili, Chairperson

7. IT Strategy Committee

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 4**
Mr. Nageswara Rao Yalamanchili	Independent Director		Dates of the meetings: -
Mr. Gurpreet Singh Chug	Independent Director		June 30, 2023
Mr. Sarvjit Singh Samra	Managing Director		September 30, 2023
Mr. Munish Jain	Executive Director		November 16, 2023
Mr. Harvinder Singh	CIO		March 28, 2024
Mr. Vimal Kumar Kamal	CISO		

Chairperson = | Member =

During the year, IT Strategy Committee was reconstituted in the Board meeting held on August 11, 2023 and the Chairperson was changed from Mr. Gurpreet Singh Chug, Independent Director to Mr. Nageswara Rao Yalamanchili, Independent Director.

The Company Secretary acts as a Secretary to the Committee.

Brief Terms of Reference and Responsibilities: -

1. Perform oversight functions over the IT Steering Committee (at a senior management level).
2. Investigate activities within this scope.
3. Seek information from any employee.
4. Obtain outside legal or professional advice.
5. Secure attendance of outsiders with relevant expertise, if it considers necessary.
6. Work in partnership with other Board committees and Senior Management to provide input, review and amend the aligned corporate and IT strategies.

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on				No. of Meetings	
			June 30, 2023	September 30, 2023	November 16, 2023	March 28, 2024	Held	Attended
Mr. Nageswara Rao Yalamanchili	Independent Director		✓	✓	✓	✓	4	**4**
Mr. Gurpreet Singh Chug*	Independent Director	*/	✓	✓	✓	✓	4	**4**
Mr. Sarvjit Singh Samra	Managing Director		✓	✓	✗	✓	4	**3**
Mr. Munish Jain	Executive Director		✓	✓	✓	✗	4	**3**
Mr. Harvinder Singh	CIO		✓	✓	✓	✓	4	**4**
Mr. Vimal Kumar Kamal	CISO		✓	✓	✓	✓	4	**4**

Chairperson = | Member = | Present = Absent =

** Ceased to be Chairman of the Committee during the FY 2023 – 2024 w.e.f August 11, 2023.*

CORPORATE GOVERNANCE REPORT

Customer Service Committee

Mr. Sarvjit Singh Samra, Chairperson

8. Customer Service Committee

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 1**
Mr. Sarvjit Singh Samra	Managing Director		Dates of the meetings: -
Mr. Sham Singh Bains	Independent Director		March 30, 2024
Ms. Rachna Dikshit	Independent Director		
Mr. Nageswara Rao Yalamanchili	Independent Director		

Chairperson = | Member =

The Company Secretary acts as a Secretary to the Committee

Brief Terms of Reference and Responsibilities: -

1. Formulate and annual review of Deposit Policy, Customer Service related policies and Grievance Redressal related policies
2. Review the implementation status of the RBI instructions issued during the period on Customer Service aspect
3. Oversee the tri-enniel audit of customer related services aspect (including review of the report)
4. Review customer complaints data
5. Annual review of detailed analysis on customer complaints (including nature, time taken, compliance with TAT etc.)
6. Review the process and status for settlement of deceased cases
7. Review the product approval process, with the view on suitability and appropriateness for the customers
8. Approve and review annual depositor/customer satisfaction surveys and their outcome
9. Review the performance, suggestions and/or report submitted by Standing Committee on Customer Service, inter alia, the areas reviewed, procedures / practices identified and simplified / introduced etc.
10. Review report submitted by Internal Ombudsman ('IO') and review the performance of IO
11. Take note of the awards given by the Banking Ombudsman, and address issues of systemic deficiencies existing in banks, if any, brought out by the awards
12. Review status on recommendations of various committees on customer services aspect including Report on Ghosh and Jilani committee, Goiporia Committee etc.
13. Review the accessibility of branches/ATM to persons with disability and services provided to senior citizens with reference to the Bank charter
14. Submit a detailed memorandum/report on customer service aspect to the Board of Directors, once every six months and initiate prompt corrective action wherever service quality / skill gaps have been noticed
15. Review all the awards remaining unimplemented for more than three months with the reasons thereof, to enable to report the Board such delays in implementation without valid reasons and for initiating necessary remedial action; and
16. Examine issues having bearing on the quality of customer service rendered or any other matter related to Customer Service.

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on	No. of Meetings	
				Held	Attended
Mr. Sarvjit Singh Samra	Managing Director			1	1
Mr. Sham Singh Bains	Independent Director			1	1
Ms. Rachna Dikshit	Independent Director			1	1
Mr. Nageswara Rao Yalamanchili	Independent Director			1	1

Chairperson = | Member = | Present = Absent =

Securities Committee

Mr. Dinesh Gupta, Chairperson

9. Securities Committee

Composition as on March 31, 2024			Number and Dates of Meetings held during the FY 2023-24
Name	**Nature of Directorship**	**Chairperson / Member**	**Number of Meetings held - 6**
Mr. Dinesh Gupta	Non – Executive Director		Dates of the meetings: -
Mr. Gurpreet Singh Chug	Independent Director		April 21, 2023
Mr. Sham Singh Bains	Independent Director		May 26, 2023
Mr. Nageswara Rao Yalamanchili	Independent Director		June 17, 2023
			September 22, 2023
			November 06, 2023
			March 28, 2024

Chairperson = | Member =

Securities Committee was reconstituted during the year.

The Company Secretary acts as a Secretary to the Committee.

Brief Terms of Reference and Responsibilities: -

1. To consider and approve the share/bond transfers lodged by the members with the Bank.
2. To verify the compliance of RBI and other legal regulations for allotment of securities.
3. To consider manner, holding and other credentials of holder of securities.
4. To consider the basis of allotment of securities as per authorisation of the Board and all other aspects with regard to the Issue.

CORPORATE GOVERNANCE REPORT

Name of Director	Category of the Director	Position held in the Committee	Attendance at the Meeting held on						No. of Meetings	
			April 21, 2023	May 26, 2023	June 17, 2023	September 22, 2023	November 06, 2023	March 28, 2024	Held	Attended
Mr. Dinesh Gupta	Non – Executive Director		✓	✓	✓	✓	✓	✓	6	6
Mr. Gurpreet Singh Chug	Independent Director		✗	✗	✗	✗	✗	✓	1	1
Mr. Sham Singh Bains	Independent Director		✓	✓	✓	✓	✓	✓	6	6
Mr. Nageswara Rao Yalamanchili	Independent Director		✗	✗	✗	✓	✓	✓	3	3
Mr. Gurdeep Singh *	Independent Director		✓	✓	✗	✗	✗	✗	2	1

Chairperson = | Member = | Present = | Absent = | Not Member =

** Ceased to be member of the Committee during the FY 2023 - 2024*

4 PERFORMANCE EVALUATION:

The Nomination and Remuneration Committee and the Board has approved the evaluation process for evaluating the performance of the Board and Committees as whole and individual director. A separate meeting of Independent Directors was held on February 26, 2024 which carried out the annual evaluation of the performance of Non- Executive Non-Independent Directors, Executive Directors, Chairperson, Board as a Whole and Board Committees. Further, the Board of Directors in its meeting held on February 27, 2024 had also conducted the Annual evaluation of performance of Board as a whole, Board Committees, Chairperson, Managing Director, Non-Executive Directors and expressed its satisfaction. The performance of the Board and Board's Committees were evaluated on various parameters such as structure, composition, quality, diversity, experience, competencies, performance of specific duties and obligations, quality of decision-making and overall Board effectiveness. Performance of individual directors was evaluated on parameters such as meeting attendance, participation and contribution, responsibility towards stakeholders and independent judgement. The Independent Directors were evaluated at additional parameters such as external expertise, devotion of sufficient time, strategic guidance to the Company etc. The performance of Chairperson of the Company and Managing Director was also evaluated at the additional parameters.

5 PARTICULARS OF SENIOR MANAGEMENT INCLUDING THE CHANGES THEREIN SINCE THE CLOSE OF THE PREVIOUS FINANCIAL YEAR.

As on March 31, 2024, following are the SMPs of the Bank:

Name	Designation
Mr. Sarvjit Singh Samra	Managing Director and Chief Executive Officer
Mr. Munish Jain	Executive Director and Chief Financial Officer
Mr. Amit Sharma	Company Secretary and Compliance Officer
Mr. S.K. Dhawan	Head of Credit
Mr. Raghav Aggarwal	Chief Risk Officer
Ms. Richa Mahajan	Chief Compliance Officer

Further, post the completion of FY' 24, the Board of Directors appointed Mr. Aseem Mahajan as the Chief Financial Officer w.e.f. April 24, 2024 of the Bank and pursuant to said appointment, Mr. Munish Jain ceased to hold the position of Chief Financial Officer of the Bank as on even date.

CORPORATE GOVERNANCE REPORT

6 REMUNERATION TO DIRECTORS:

a) **Executive Director:** The Executive Directors are eligible for remuneration, as approved by the shareholders of the Company on the recommendation of the Nomination and Remuneration Committee (NRC) and the Board of Directors. The office of executive directors may be terminated by the Company or by him by giving prior notice in writing as per the policy of the Company. No severance fees are payable to the Executive Director.

b) **Non-Executive/Independent Directors:** The Non- Executive/Independent Directors of the Company receive remuneration by way of sitting fees for attending the meeting of the Board of Directors and/or Committees thereof, as approved by the Board. Further, the Non Executive Director remuneration is paid pursuant to RBI circular in the same regard. The profit-linked commission may be paid within the monetary limit approved by the shareholders of the Company as a percentage of the net profits of the Company computed as per the applicable provisions of the Companies Act, 2013, and rules framed thereunder. Independent Directors shall not be entitled for any share-based employee benefit.

Details of remuneration, sitting fees, etc. paid/payable to Directors for the year ended March 31, 2024 is as under:

a. Remuneration to Non – Executive Directors

(Amount in ₹)

S. no	Name of Director	Salary	Sitting fees	Profit related Commission	Total Remuneration	%age to total remuneration
1	Rakesh Soni*	-	1,70,000	-	1,70,000	1.50
2	Harmesh Khanna*	1,56,666	1,40,000	-	2,96,666	2.61
3	Sham Singh Bains	4,00,000	6,10,000	-	10,10,000	8.90
4	Gurdeep Singh*	81,110	30,000	-	1,11,110	0.98
5	Balbir Singh	-	90,000	-	90,000	0.79
6	Dinesh Gupta	20,00,000	5,50,000	-	25,50,004	22.46
7	Gurpreet Singh Chug	4,00,000	5,70,000	-	9,70,000	8.54
8	Navin Kumar Maini	12,00,000	3,70,000	-	15,70,000	13.83
9	Srinath Srinivasan	-	3,30,000	-	3,30,000	2.91
10	Nageswara Rao Yalamanchili	9,00,000	4,80,000	-	13,80,000	12.15
11	Rachna Dikshit	6,75,000	3,00,000	-	9,75,000	8.59
12	Kamaldeep Singh Sangha	6,75,000	3,90,000	-	10,65,000	9.38
13	Sukhen Pal Babuta	5,75,806	2,60,000	-	8,35,806	7.36
14	Mahesh Parasuraman	-	-	-		-
		70,63,582	**42,90,000**	**-**	**1,13,53,586**	**100.00**

**Ceased as Director during the FY 2023 – 2024*

Note: None of the Non-Executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and Non Executive Director remuneration as applicable

b. Remuneration to Executive Directors

Based on recommendations from the Nomination and Remuneration Committee, the Board of the Bank approves remuneration for Executive Directors. This approval is subject to shareholder and regulatory approvals, such as those from the RBI where applicable. The terms of appointment are governed by the employment agreements between the Bank and the Executive Directors.

CORPORATE GOVERNANCE REPORT

The remuneration details of Executive Directors viz. Mr. Sarvjit Singh Samra, MD & CEO and Mr. Munish Jain, Whole time Director (designated as Executive Director) of the Bank is as per the terms of approval of RBI is given below:

Name of the Employee	Mr. Sarvjit Singh Samra	Mr. Munish Jain
Designation	Managing Director & CEO	Executive Director
Remuneration received	₹ 1.44 crores	₹ 1.75 crores

1. Remuneration shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income-tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & super annuation perquisites
2. The above value does not include the number of ESOPs granted during the year.

GENERAL BODY MEETINGS

a. Details of last three Annual General Meetings (AGM):

24th Annual General Meeting

August 11, 2023 | Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")

11:00 A.M. | To approve the revised remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for the period commencing from April 24, 2022 till April 23, 2023

To approve the updated remuneration of Mr. Sarvjit Singh Samra (DIN: 00477444), Managing Director & CEO for financial year 2023-24 onwards

23rd Annual General Meeting

August 05, 2022 | Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")

11:00 A.M. | To Re-Appoint Mr. Sham Singh Bains (DIN: 01537844) as a Non- Executive Independent director for a second term of three years

22nd Annual General Meeting

August 20, 2021 | Through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")

11:30 A.M. | Increase in Borrowing Powers

Date | Time (IST) | Venue | Special Resolution passed

CORPORATE GOVERNANCE REPORT

b. Extra – Ordinary General Meeting

Year - 2023 – 2024

Extra – Ordinary General Meeting	May 12, 2023 at 11:30 A.M.
Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	Issuance of equity shares by way of preferential issue on private placement basis and execution of transaction documents in respect thereof To consider and approve CSFB Limited - Employees Stock Option Plan 2023 "CSFB ESOP Plan 2023" To re-appoint Mr. Gurdeep Singh (DIN : 01572748) as a non- executive independent director for a second term of three years

Year - 2023 - 2024

Extra – Ordinary General Meeting	September 25, 2023 at 11:00 A.M.
Through Video Conferencing ("VC") / Other Audio – Visual Means ("OAVM")	To consider and approve the Initial Public Offer To consider and approve adoption of new Articles of Association To re-appoint Mr. Navin Kumar Maini (DIN : 00419921) as a non- executive Independent Director for a second term of three years To re-appoint Mr. Gurpreet Singh Chug (DIN: 01003380) as a non- executive Independent Director for a second term of three years To approve the appointment of Mr. Munish Jain (DIN: 10132430) as Whole time Director (designated as Executive Director) of the Bank

Particulars of Meeting | Date and Time | Location | Special Resolution passed, if any

c. Postal Ballot

During the year under review, the Company has not passed any resolution through postal ballot.

7 MEANS OF COMMUNICATION

I. Annual Report containing Financial Statements, Board's Report, Management Discussion & Analysis (MD&A) Report, Auditor's Report and other information are circulated to members and others who are entitled to it through permitted mode.

II. Financial results are published in leading local and national newspapers i.e Nawan Zamana (in Punjabi) and Business Standard (in English).

III. All important information relating to the Company and its performance, including the financial results, shareholding pattern, corporate governance report etc. are displayed on the Company's website www.capitalbank.co.in. The website also displays all official press releases issued by the Company, if any. Apart from statutory financial results communication, the Company also communicates financial performance information through various leading newspapers (including Economic Times, Mint, Hindustan Times) and emailers to all the stakeholders.

CORPORATE GOVERNANCE REPORT

IV. The Company disseminate all price sensitive information into the public domain by way of intimating the same to stock exchanges, i.e. BSE Limited and National Stock Exchange of India Limited immediately. The same is also displayed on the Company's website.

V. In case of any query, shareholders may write to the Company Secretary at cs@capitalbank.co.in.

VI. The Company has made quarterly/event-based presentations to investors and analysts.

COMPLIANCES

There were no instances of non – compliance by the Bank on any matter related to capital markets, no any penalty have been imposed on the Bank by the Registrar of Companies, Reserve Bank of India, Stock Exchanges or SEBI or any other statutory authority on such matters except as stated below:

- During the review period, the Company was listed on Stock Exchanges on February 14, 2024. Consequently, the Financial Results for the Quarter and Nine Months ended December 31, 2023 were approved by the Board of Directors on February 27, 2024, and subsequently submitted to BSE Limited on the same date, thus resulting a delay of 13 days, for which, a penalty of Rs. 76,700 (Rupees Seventy-Six Thousand and Seven Hundred only) was imposed by BSE Limited and the same has been deposited by the Company in compliance with SEBI Listing Regulations.

8 GENERAL SHAREHOLDER INFORMATION

The Company is registered with the Registrar of Companies, Punjab & Chandigarh. The present Corporate Identity Number (CIN) of the Company by Ministry of Corporate Affairs is L65110PB1999PLC022634.

Annual General Meeting of the Bank: Date, Time, Venue	25th Annual General Meeting Date and Time : Friday, August 30, 2024 at 11.00 A.M. (IST) By Video-Conferencing/other Audio Visual Means ("VC/ OAVM"). The registered office of the Bank i.e., MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144001 Punjab, shall be deemed to be the venue of the meeting.

Financial Year	The Company follows April to March as the financial year. The next financial year of the Company would be from April 1, 2024 to March 31, 2025
Date of Book Closure for AGM & Dividend	August 17, 2024 to August 30, 2024
Record Date for payment of Dividend	August 16, 2024
Dividend Payment Date	Within 30 days from the date of declaration at 25th AGM
Names and addresses of Stock Exchange where Equity Shares of the Bank are listed and Stock Code and confirmation on payment of Listing fees	**BSE Limited** Listing Compliance Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Maharashtra Scrip Code: **544120** (Equity), **951995 & 953739** (Debt) National Stock Exchange of India Limited The Listing Department, Exchange Plaza, Bandra Kurla Complex, Mumbai - 400 051 Maharashtra Symbol: **CAPITALSFB** (Equity)
Listing Fee to Stock Exchanges	The Company has paid listing fee in respect of financial year 2024 – 25 to BSE Limited and National Stock Exchange of India Limited
ISIN	INE646H01017

CORPORATE GOVERNANCE REPORT

Outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity	The Company has no outstanding GDR/ADR/warrants as on March 31, 2024
Listing of Debt securities of the Bank	The debt securities of the Bank issued in the form of Upper Tier-II Bonds which are listed on the BSE Limited and detail of the same is as under:

NCD Series	Coupon Rate	ISIIN Number	Rating by Brickwork Ratings India Private Limited on April 12, 2023	Rating by Brickwork Ratings India Private Limited on April 12, 2024	Rating by Care Ratings Limited on March 13, 2023	Rating by Care Ratings Limited on March 12, 2024
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2014-15 (Series XI)	11.75%	INE646H08012	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirma-tion)	CARE A-; Stable (Single A Minus; Outlook: Stable)	CARE A-; Stable (Single A Minus; Outlook: Stable)
Unsecured Redeemable Non-Convertible (Upper Tier II), Basel I Compliant Bonds 2015-16 (SERIES XIII)	11.75%	INE646H08020	BWR A+ Outlook: (Stable) (Reaffirmation)	BWR A+ Outlook: (Stable) (Reaffirma-tion)	CARE A-; Stable (Single A Minus; Outlook: Stable)	CARE A-; Stable (Single A Minus; Outlook: Stable)

Name and addresses of Debenture Trustee	Name : IDBI Trusteeship Services Limited Address : Universal Insurance Building, Ground Floor, Sir P.M. Road, Fort, Mumbai – 400001 E-mail : itsl@idbitrustee.co.in Tel No. +91-22-40807000
Registrar and Share Transfer Agent	Link Intime Private Limited C- 101, 1st Floor, 247 Park Lal Bahadur Shastri Marg Vikhroli (West) Mumbai – 400083 Tel : 91 810 811 4949 Email ID : ashok.shetty@linkintime.co.in
Dematerialisation of shares and Liquidity (as on March 31, 2024)	Total Dematerialisation: 85.50% Promoters' Dematerialisation: 100% The Company has set up requisite facilities for dematerlisation of its equity shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. The International Securities Identification Number (ISIN) for equity shares is INE646H01017
SEBI Complaints redressal systems (SCORES):	Investor complaints received by the Bank at SEBI Complaints Redress System (SCORES) are regularly monitored and resolved by the Bank. Investors can lodge complaints on the SCORES and also can see status of their complaints.

CORPORATE GOVERNANCE REPORT

Distribution of shareholdings (as on March 31, 2024)	Details are provided in the chart below
Demat Suspense Account	Nil
Details of credit ratings	The details of Credit Rating obtained by the Company during the year is provided in the Board's Report, which forms a part of the Annual Report
Address for correspondence	**Registered office of the Bank:** The Company Secretary and Compliance Officer Capital Small Finance Bank Limited MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar 144001 Punjab Tel : +91 181 5051111, 5052222 Email : cs@capitalbank.co.in
Shareholders' Helpdesk:	Shareholders may note that the share transmission, dividend payment and other investor related activities are attended to and processed at the office of Company's Registrar & Transfer Agents (RTA). For any grievances/ complaints, shareholders may contact the RTA at the address mentioned above. The contact details for suggestions, requests, queries, complaints etc, are available at www.capitalbank.co.in. Shareholders holding shares in dematerialisation form should address all their correspondence to their respective Depository Participants (DP).

Succession Plan:

The Bank recognizes the importance of a sound succession plan for Directors and Senior Management executives to ensure stability, operational continuity, and sustainable long-term growth of the institution. The Nomination and Remuneration Committee works with the Board on the leadership succession plan to ensure orderly appointments to the Board and Senior Management positions. The Bank has put in place detailed succession management policy in this regard.

Details of Complaints received and resolved during the year

Particulars	No. of Complaints (Equity)	No. of Complaints (Debt)
Complaints pending as on April 1, 2023	-	-
Received during the year	160	-
Resolved during the year	160	-
Complaints outstanding as on March 31, 2024	-	-

Details of the Compliance Officer:

Name: Mr. Amit Sharma

Designation: Company Secretary and Compliance Officer

Address: MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar - 144001 Punjab

Tel: +91 181 5051111 / 5052222

Email: cs@capitalbank.co.in

Investor's Grievance Redressal Mechanism: The Company has framed investor's grievance redressal mechanism, which provides an avenue for investors to voice their concerns and offers transparency on how grievances will be managed, which aims to reduce conflict and strengthen relationships between investors. This mechanism is available at www.capitalbank.co.in.

CORPORATE GOVERNANCE REPORT

Distribution of Shareholding as on March 31, 2024

Category (Shares)	No. of Shareholders	% Shareholding	Total Shares
1 – 5000	89910	12.59	56,71,993
5001 – 10000	145	2.30	10,37,968
10001 – 20000	97	2.95	13,29,021
20001 – 30000	28	1.49	6,72,170
30001 – 40000	10	0.83	3,74,064
40001 – 50000	6	0.60	2,69,046
50001 – 100000	28	4.33	19,48,810
100001 & Above	63	74.91	3,37,39,448
Total	**90287**	**100.00**	**4,50,42,520**

Shareholding Pattern as on March 31, 2024

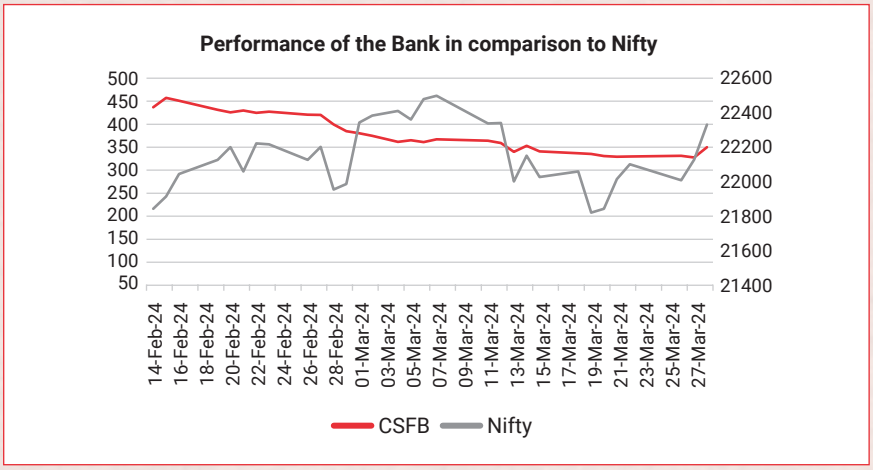
Category	Total Shares	% Shareholding
Promoters / Promoter Group	84,89,975	18.85
Mutual Funds	27,81,662	6.17
Alternate Investment Funds	44,70,863	9.92
Insurance Companies	62,96,973	13.98
NBFC	10,237	0.02
Financial Institutions	13,49,650	2.99
Foreign Portfolio Investors category I	6,21,558	1.38
Directors and their relatives	2,55,315	0.57
Key Managerial Personnel	3,395	0.01
Investor Education and Protection Fund	30,392	0.07
Resident Individuals	1,08,57,132	24.10
NRIs	72,22,573	16.04
Bodies Corporate	6,60,194	1.47
Trust	793	0.01
Limited Liability Partnership	17,17,392	3.81
HUF	2,74,266	0.61
Clearing member	150	0.00
Total	**4,50,42,520**	**100%**

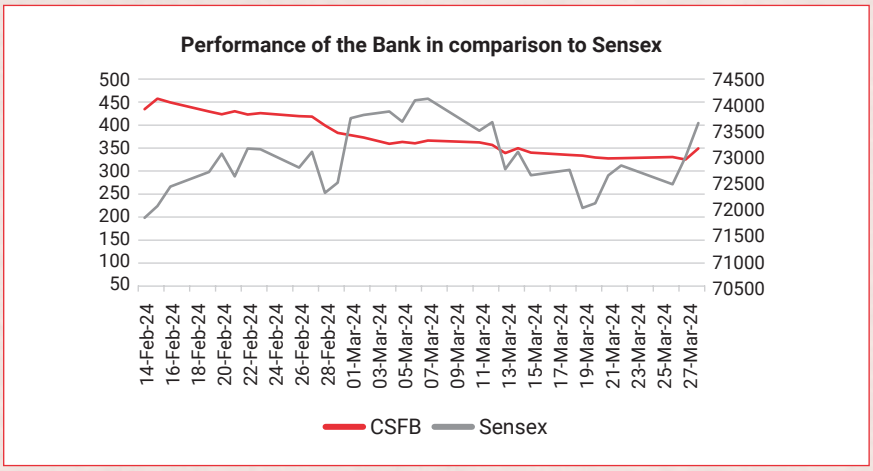
CORPORATE GOVERNANCE REPORT

Market price data: High, Low during each month in the Financial Year 2023 - 24:

Month	BSE				NSE			
	Open Price	High Price	Low Price	Close Price	Open Price	High Price	Low Price	Close Price
Feb – 24	435.00	468.95	381.00	383.20	430.25	469.00	380.65	383.30
March – 24	382.10	387.15	319.75	349.30	383.35	387.00	320.00	348.80

Performance of the Bank's share price in comparison to Nifty and Sensex





Share transfer system:

The Bank's shares are traded under compulsory dematerialised mode. A yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI Listing Regulations is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges and available on the website of the Bank at www.capitalbank.co.in

Further, pursuant to SEBI Master Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2023/70 dated May 17, 2023:

- Listed companies to issue securities in demat mode only while processing any investor service requests viz. issue of duplicate share certificates, Claim from Unclaimed Suspense Account exchange/endorsement/ sub-division/ splitting/ consolidation of securities, transmission/transposition of securities.
- Listed entities/RTAs shall now issue a Letter of Confirmation in lieu of the share certificate while processing any of the aforesaid investor service requests.
- All holders of physical securities in listed companies to furnish PAN, Nomination, Contact details, Bank A/c details and Specimen signature for their corresponding folio numbers.

CORPORATE GOVERNANCE REPORT

9 OTHER DISCLOSURES:

a) Related Party transactions:

There were no materially significant related party transactions having potential conflict with the interests of the Bank during the financial year 2023-24. All related party transactions entered into during the financial year were in the ordinary course of business and on arm's length basis and approved by the Audit Committee. The particulars of transactions between the Bank and its related parties, as defined under Section 2(76) of the Act and in Accounting Standard 18, are set out in the financial statements. The Board has put in place a policy on dealing with related party transactions and material related party transactions and the same is available in the Bank's website at www.capitalbank.co.in.

b) Vigil Mechanism/ Whistle Blower Policy:

In line with the provisions of SEBI Listing Regulations, the Act and the principles of good governance, the Bank has devised and implemented a vigil mechanism. The Bank has a Board approved Whistle Blower Policy which is available on Bank's website at https://www.capitalbank.co.in/storage/secreterial-policies/8.3.15%20Whistleblower%20Policy%20updated%20upto%2023092021.pdf and details of the vigil mechanism are furnished in the Board's Report. Further, no person has been denied access to the Audit Committee.

c) Compliance with Mandatory Requirements of the SEBI Listing Regulations and Adoption of Non-mandatory requirements of the SEBI Listing Regulations

- **Compliance with Mandatory Requirements of SEBI Listing Regulations:**

  The Bank has complied with all applicable mandatory requirements of the Code of Corporate Governance as per the SEBI Listing Regulations.

- **Adoption of Non- mandatory requirements of the SEBI Listing Regulations (Discretionary requirements as specified in Part E of Schedule II of SEBI Listing Regulations):**

  - **The Board**

    The Bank has a non-executive part-time Chairperson in terms of the provisions of the Banking Regulation Act, 1949 and his office is separate from the office of the Managing Director & CEO and the appointment of both the Chairperson and the Managing Director & CEO, is approved by RBI pursuant to the provisions of the Banking Regulation Act, 1949.

    Further, the Chairperson of the Bank is not related to the Managing Director & CEO of the Bank as per the definition of the term "relative" defined under the Act.

  - **Shareholders right**

    Apart from the quarterly, half yearly and annual update on the financial performance, the Bank also provides detailed update in form of Investor presentation for information of the shareholders. Further, the same information is also published in widely circulated newspapers.

    The Bank also publishes its financial results, investors' presentations, call transcripts and Press releases every quarter and also when there is any investor event, on its website at www.capitalbank.co.in which is accessible to the public at large.

    Further, information pertaining to important developments of the Bank was bought to the knowledge of the public at large and to the shareholders through communications sent to the stock exchanges where the shares of the Company are listed.

  - **Modified opinion(s) in audit report:**

    The financial statements of the Bank for FY 2023-24 are with unmodified audit opinion.

  - **Reporting of Internal Auditor:**

    The Head of Internal Auditor of the Bank reports directly to the Audit Committee of the Board and had separate discussions with the Audit Committee without the presence of management team

CORPORATE GOVERNANCE REPORT

- **Separate posts of Chairperson and the Managing Director or the Chief Executive Officer**

  The Bank has complied with the requirement of having separate persons to the post of Chairperson and Managing Director or Chief Executive Officer.

d) Web link where policy for determining 'material' subsidiaries is disclosed:

The Bank does not have any subsidiary.

e) Web link where policy on dealing with related party transactions: https://www.capitalbank.co.in/storage/secreterial-policies/8.3.8%20Materiality%20policy%20for%20related%20party%20transactions%20updated%20upto%2023092021.pdf

f) Disclosure of commodity price risks and commodity hedging activities: NA

g) Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A): The Bank has fully utilised the funds raised through preferential issue of equity shares during the period under review.

h) There are no recommendations of the Committee that are not accepted by the Board of Directors of the Bank.

i) Total fees for all services paid by the listed entity to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part: The total fee paid by the Bank for the services rendered by Statutory Auditors for FY 2023 – 2024 is given below: -

Particulars		Fee (₹ in crores)
(1)	**In capacity as Auditors**	**0.72**
	Audit Fees	0.51
	Certificate Fee & Fee for other services	0.09
	Out of Pocket expenses	0.12
(2)	**Other capacity**	**0.35**
	IPO Related Services	0.35

Note: Audit Fees includes ₹0.24 crore and Certificate Fee & fee for other services includes ₹0.02 crore paid to previous statutory auditors.

j) Disclosures under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Disclosures are furnished in the Board's Report.

Particulars	No. of Complaints
Number of Complaints carries forward from last year (FY 24)	Nil
Number of Complaints filed during the Financial Year (FY 24)	Nil
Number of Complaints disposed of during the Financial Year (FY 24)	Nil
Number of Complaints pending as on the end of the Financial Year (FY 24)	Nil

The Policy on Prevention of Sexual Harassment has been uploaded on Bank's website at:- www.capitalbank.co.in.

k) Disclosure by Bank and its subsidiaries of 'Loans and advances in the nature of loans to firms/companies in which directors are interested

The aforesaid disclosure is exempt for listed banks.

l) Details of material subsidiaries of the listed entity; including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries: Not applicable, as the Bank does not have any subsidiary.

m) Fair Practices Code: The Bank has adopted the Fair Practices Code pursuant to the RBI guidelines issued in this regard, which is placed on the Bank's website.

n) Internal Code of Conduct for Prevention of Insider Trading : The Board has adopted an Internal Code of Conduct for Prevention of Insider Trading in the securities of the Bank. The Code inter alia requires Designated Persons obtaining pre-clearance from the appropriate authority in the Bank for dealing in the securities of the Bank as per the criteria specified therein and prohibits the purchase or sale of securities of the Bank while in possession of Unpublished Price Sensitive Information in relation to the Bank besides during the period when the trading window is closed. The period of trading window closure is intimated to all concerned well in advance from time to time.

o) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and Schedule V of SEBI Listing Regulations on Corporate Governance is required and the Certificate on Corporate Governance as issued by Deepak Arora & Associates is enclosed as **Annexure 1** at the end of this report.

CORPORATE GOVERNANCE REPORT

p) A declaration signed by Mr. Sarvjit Singh Samra, Managing Director and Chief Executive Officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management and the same is enclosed as **Annexure 2** at the end of this report

q) Pursuant to Sections 124 and 125 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), dividend, if not claimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to IEPF. Further, all the shares in respect of which dividend has remained unclaimed for seven consecutive years or more from the date of transfer to unpaid dividend account shall also be transferred to IEPF Authority. The said requirement does not apply to shares in respect of which there is a specific order of Court, Tribunal or Statutory Authority, restraining any transfer of the shares. In the interest of the shareholders, the Company sends periodical reminders to the shareholders to claim their dividends in order to avoid transfer of dividends/ shares to IEPF Authority. Notices in this regard are also published in the newspapers and the details of unclaimed dividends and shareholders whose shares are liable to be transferred to the IEPF Authority, are uploaded on the Company's website. The details of unclaimed dividends and shares transferred to IEPF, is provided at the website of the Company /IEPF Authority. The Members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in web Form No. IEPF-5 available on the website www. iepf.gov.in and send a duly signed physical copy of the same to the Company, along with requisite documents enumerated in the web Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend/shares so transferred to IEPF. The detail of outstanding dividends and the dates by which it can be claimed by the shareholders from the Company's Registrar and Transfer Agent are available on the Company's website and provided in the Board's Report.

r) Managing Director & CEO / CFO Certification

The Managing Director & CEO and the Chief Financial Officer have issued certificate pursuant to the provisions of Regulation 17(8) of the SEBI Listing Regulations, for the FY24 and the same was placed before the Board of Directors at its meeting held on May 09, 2024 and the same is enclosed as **Annexure 3** at the end of this report.

s) Pursuant to Schedule III, Para A, Clause 5A of SEBI Listing Regulations, there are no agreement impacting management or control of the Company or imposing any restriction or create any liability upon the Company.

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

I hereby confirm and declare that all the Directors of the Company and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the Financial Year 2023 – 2024.

For and on behalf of the Board of Directors

Sarvjit Singh Samra
Managing Director & CEO
DIN : 00477444

Place : Jalandhar
Date : May 09, 2024

ANNEXURE 1

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
CAPITAL SMALL FINANCE BANK LIMITED
MIDAS CORPORATE PARK, 3RD FLOOR, 37
G.T. ROAD, JALANDHAR – 144001, PUNJAB

We have examined the compliance of the conditions of Corporate Governance by **CAPITAL SMALL FINANCE BANK LIMITED (“the Company”)** for the year ended on March 31, 2024, as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub regulation (2) of Regulation 46 and Para-C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

The compliance of the conditions of Corporate Governance is the responsibility of the management of the Company. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the SEBI Listing Regulations. Our examination was limited to the review of procedures and implementation thereof, as adopted by the Company for ensuring compliance with conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended on March 31, 2024.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For DEEPAK ARORA & ASSOCIATES
Practicing Company Secretaries
ICSI Unique Code: P2001RJ080000

PLACE: Jaipur
DATE: May 09, 2024

DEEPAK ARORA
Partner
FCS No. 5104 |COP No. 3641
Peer Review Certificate No: 692/2020
UDIN: F005104F000343211

ANNEXURE 2

CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT & ETHICS

I confirm that for the year under review, all Directors and Senior Management Personnel have affirmed adherence to the provisions of the Code of Conduct of Directors and Senior Management.

Place: Jalandhar
Date: May 09, 2024

Sarvjit Singh Samra
Managing Director & CEO

ANNEXURE 3

CEO & CFO Certification

To,

The Board of Directors

Capital Small Finance Bank Limited

1. Pursuant to Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have reviewed financial statements and the cash flow statement for the year ended on March 31, 2024 and that to the best of our knowledge and belief:
    a. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
    b. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank's during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
4. We have indicated, to the Auditors and the Audit Committee:
    a. significant changes in internal control over financial reporting during the year;
    b. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
    c. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Sarvjit Singh Samra
Managing Director & CEO

Aseem Mahajan
Chief Financial Officer

Place: Jalandhar
Date: May 09, 2024

ANNEXURE – D

ANNUAL REPORT ON CSR ACTIVITIES

1. **Brief outline on CSR Policy of the Company:**

   The Company's CSR policy and programs are in accordance with Section 135 of Companies Act, 2013, the Bank takes multiple initiatives in the areas of education, eradicating hunger, Rural Sports Development and health. The Bank's CSR policy can be found on the website of the Bank at www.capitalbank.co.in

2. **Composition of CSR Committee:**

   The composition of CSR Committee as on March 31, 2024 is stated as under:

S. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Sham Singh Bains	Chairperson/ Independent Director	2	2
2.	Mr. Sarvjit Singh Samra	Member/ Managing Director & CEO	2	2
3.	Mr. Gurpreet Singh Chug	Member/ Independent Director	1	1
4.	Mr. Nageswara Rao Yalamanchili	Member/ Independent Director	1	1
5.	Mr. Sukhen Pal Babuta	Member/ Independent Director	1	1

   Note :

   The CSR Committee was re-constituted during the year under review by the Board of Directors on August 11, 2023. Mr. Rakesh Soni and Mr. Gurdeep Singh were the outgoing members. Mr. Rakesh Soni attended one meeting during the year. Mr. Gurpreet Singh Chug, Mr. Nageswara Rao Yalamanchili and Mr. Sukhen Pal Babuta were the incoming members, who attended the remaining one meeting of CSR Committee held during the year.

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company:**

   www.capitalbank.co.in

4. **Provide the executive summary along with web-link(s) of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8, if applicable:**

   Not Applicable

5. **(a) Average net profit of the Company as per sub-section (5) of Section 135:**

   ₹ 87,45,87,040.79

   (b) Two percent of average net profit of the Company as per sub-section (5) of Section 135:

   ₹ 1,74,91,740.82*

   *- the Bank has spent ₹ 1.70 lakh in excess of 2% of average net profit during the review period.

   (c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years:

   Nil

   (d) Amount required to be set off for the financial year, if any:

   Nil

   (d) Total CSR obligation for the financial year (b+c+d):

   ₹ 1,74,91,740.82 (rounded off to ₹ 1,74,91,741/-)

ANNEXURE – D

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project):

₹ 47,628/-

(Note: This amount excludes ₹ 52.05 lakhs spent during the Financial Year from the unspent account of the previous Financial Years)

(b) Amount spent in Administrative Overheads:

₹ 6,52,054/-

(c) Amount spent on Impact Assessment, if applicable:

Not Applicable

(d) Total amount spent for the Financial Year [(a)+(b)+(c)]:

₹ 6,99,682/-

(e) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
6,99,682/-	1,69,62,263/-*	April 18, 2024	NIL	NIL	NIL

*There was total amount of ₹ 1,71,95,835/- (including interest) outstanding as unspent at the end of the Financial year 2023-24 and the same was transferred to Unspent Corporate Social Responsibility Account for the Financial Year 2023-24 by the Capital Foundation on behalf of Capital Small Finance Bank Limited.

(f) Excess amount for set off, if any:

NA

Sl. No.	Particular	Amount (in ₹)
(1)	(2)	(3)
(i)	Two percent of average net profit of the Company as per sub-section (5) of Section 135	1,74,91,740.82
(ii)	Total amount spent for the Financial Year	6,99,682/-
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

ANNEXURE – D

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
Sl. No.	**Preceding Financial Year(s)**	**Amount transferred to Unspent CSR Account under subsection (6) of section 135 (in ₹)**	**Balance Amount in Unspent CSR Account under subsection (6) of section 135 (in ₹)**	**Amount Spent in the Financial Year (in ₹)**	**Amount transferred to a Fund as specified under Schedule VII as per second proviso to subsection (5) of section 135, if any**		**Amount remaining to be spent in succeeding Financial Years (in ₹)**	**Deficiency, if any**
					Amount (in ₹)	Date of Transfer		
1	2020-21	35.47 lakhs*	67.48 only*	67.48 only	-	-	Nil	Nil
2	2021-22	67.96 lakhs**	60.98 lakhs**	27.75 lakhs	-	-	33.23 lakhs#	Nil
3	2022-23	105.74 lakhs	105.74 lakhs	24.30 lakhs	-	-	81.44 lakhs	Nil

excluding interest of ₹ 0.26 lakh and ₹ 1.17 lakh thereon in FY23 & FY24 respectively.

*out of ₹ 35.47 lakhs transferred to unspent account for the 2020-21, ₹ 21.93 lakhs were spent in the FY22 & ₹ 13.53 lakhs in FY23.

**out of ₹ 67.96 lakhs transferred to unspent account for the FY22, ₹ 6.98 lakhs was spent in FY23

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

[✓] No [ ] Yes

If Yes, enter the number of Capital assets created/ acquired

NA

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner
(1)	(2)	(3)	(4)	(5)	(6)
	Nil	Nil	Nil	Nil	Nil

9. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per sub-section (5) of Section 135:

The Bank undertakes its Corporate Social Responsibility activities through Capital Foundation (a Society Registered under the Society Registration Act, 1860). During the Year under review, the Bank has disbursed the entire amount of its CSR obligation to the Capital Foundation. As per the report received from the Capital Foundation ₹1,71,95,835/- including the interest thereon has remained unspent as some of the Ongoing Projects has not been fully matured. Accordingly, as approved by the CSR Committee, the Capital Foundation has transferred the said unspent amount to Unspent Corporate Social Responsibility Account in accordance with the provisions of Section 135(6) of the Companies Act, 2013.

For and Behalf of Board of Directors

Sham Singh Bains
Chairman of CSR Committee & Independent Director
DIN: 01537844

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Date : May 09, 2024
Place : Jalandhar

ANNEXURE – E

RELATED PARTIES

AOC – 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis -** NIL
   (a) Name(s) of the related party and nature of relationship
   (b) Nature of contracts/arrangements/transactions
   (c) Duration of the contracts/arrangements/transactions
   (d) Salient terms of the contracts or arrangements or transactions including the value, if any
   (e) Justification for entering into such contracts or arrangements or transactions
   (f) Date of approval by the Board
   (g) Amount paid as advances, if any:
   (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. **Details of material contracts or arrangement or transactions at arm's length basis -** NIL
   (a) Name(s) of the related party and nature of relationship
   (b) Nature of contracts/arrangements/transactions
   (c) Duration of the contracts/arrangements/transactions
   (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
   (e) Date(s) of approval by the Board, if any:
   (f) Amount paid as advances, if any

For and on behalf of the Board of Directors

	Gurpreet Singh Chug	**Sarvjit Singh Samra**
Date : May 09, 2024	Independent Director	Managing Director & CEO
Place : Jalandhar	DIN: 01003380	DIN : 00477444

ANNEXURE – F

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2024

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
CAPITAL SMALL FINANCE BANK LIMITED
(CIN: L65110PB1999PLC022634)
MIDAS CORPORATE PARK,
3RD FLOOR, 37 G.T. ROAD,
JALANDHAR – 144001, PUNJAB

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **CAPITAL SMALL FINANCE BANK LIMITED** (hereinafter called "**the Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes book, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the financial year ended on March 31, 2024 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes book, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2024 according to the provisions of:

I. The Companies Act, 2013 ('the Act') and the rules made thereunder;

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

III. The Depositories Act, 1996 and the Regulations and Bye-laws framed;

IV. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not applicable on the Company during the Audit Period)**

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

d) The Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021;(Not applicable)

e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; **(Not applicable on the Company during the Audit Period)**;

g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not applicable as the Company has not bought back/ proposed to buy-back any of its securities during the financial year under review)**;

h) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

i) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

ANNEXURE – F

j) The Securities and Exchange Board of India (Depositories and Participant) Regulations, 2018;

k) Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;

As confirmed following other laws are specifically applicable to the Company for which the Management has confirmed that the Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

i. The Reserve Bank of India Act, 1934 read with all applicable guidelines circulars, notifications etc.

ii. The Banking Regulation Act, 1949;

iii. Guidelines/Directions issued by Reserve Bank of India on Small Finance Bank.

We have also examined compliance with the applicable provisions/ Clauses of the following:

- Secretarial Standards with regard to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;
- The Listing Agreement entered into by the Company with BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of all above mentioned Act, Rules, Regulations, Guidelines, Standards, etc. except the following:

A) *During the period under review, due to listing of the Company on Stock Exchanges on February 14, 2024, the Quarterly Results for the Quarter and Nine Month Ended December 31, 2023 was approved by Board of Directors on February 27, 2024 and thereafter submitted to BSE Limited on the same date, thus resulting a delay of 13 days, for which penalty was imposed by BSE Limited and the same has been deposited by the Company in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.*

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Director. During the period under review following changes were made in the composition of Board of directors which were carried out in compliance with the provisions of the Act.

1. Mr. Gurdeep Singh (DIN: 01572748) Non Executive Director (Category: Independent) of the Company, has been re-appointed as Non Executive Director (Category: Independent) for their second term in the Extraordinary General Meeting held on May 12, 2023 . However, he has ceased to be member of the Board of Director of the Bank w.e.f. June 13, 2023, by giving resignation due to his personal circumstances and commitments.
2. Ms. Rachna Dikshit (DIN: 08759332) was appointed as an additional director (Category: Independent) in the board meeting dated June 26, 2023, and subsequently regularised as Non-Executive Director (Category: Independent) in the Annual General Meeting held on 11 August 2023;
3. Mr. Kamaldeep Singh Sangha (DIN: 08242130) was appointed as an additional director (Category: Independent) in the board meeting dated June 26, 2023, and subsequently regularised as Non-Executive Director (Category: Independent) in the Annual General Meeting held on August 11, 2023;
4. Mr. Rakesh Soni (DIN: 07262045) and Ms. Harmesh Khanna (DIN: 03078018) Non-Executive Director (Category: Independent) of the Company, ceased to be members of the Board of Director of the Bank w.e.f. August 21, 2023 due to completion of their tenure as Non-Executive Independent Director of the Bank;
5. Mr. Gurpreet Singh Chug (DIN: 01003380) and Navin Kumar Maini (DIN :00419921) has been re-appointed as Non-Executive Director (Category: Independent) for their second term in the Extraordinary General Meeting held on September 25, 2023;
6. Mr. Sukhen Pal Babuta (DIN: 01739016) was appointed as an additional director (Category: Independent) in the board meeting dated August 11, 2023 and regularised as Non – Executive Director (Category: Independent) in the Extraordinary General Meeting held on September 25, 2023;
7. Mr. Munish Jain (DIN: 10132430) was appointed as an additional Director (Category: Whole Time Director) in the board meeting dated August 29, 2023 and regularised as Executive Director (Category: Whole Time Director) in the Extraordinary General Meeting held on September 25, 2023 for three years w.e.f, August 28, 2023.

ANNEXURE – F

Adequate notice is given to all the Directors/members/ invitees to schedule the Board meetings, Committee meetings and General Meetings, along with its agenda and detailed notes on agenda were sent in advance as required, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions of Board, Committee and General Meetings were carried with requisite majority.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period following major events took place in Company, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:-

a) Approval of a new Employee Stock Option Plan with the name of CSFB Limited- Employee Stock Option Plan 2023 in the Extraordinary General Meeting held on May 12, 2023.

b) The Company has Approved Issue of upto 13,82,700 Equity Shares of ₹ 10/- (Rupees Ten) each at a premium of ₹ 458/- (Rupees Four Hundred Fifty Eight only) i.e. total issue price of ₹ 468/- (Rupees Four Hundred Sixty Eight only) per equity shares, aggregating to ₹ 64,71,03,600/- (Rupees Sixty Four Crore Seventy One Lakh, Three Thousand Six Hundred Only) on a private placement basis, by way of a preferential allotment ("Preferential Issue") in the Extraordinary General meeting held on May 12, 2023.

c) The Bank has obtained the approval of Shareholders in their Extraordinary General Meeting held on September 25, 2023 approved the Initial Public Offer to create, issue, offer, allot and transfer Equity Shares which may include a fresh issue of Equity Shares (the "Fresh Issue") and an offer for sale of Equity Shares ("Offer for Sale") by certain existing shareholders of the Bank in the Offer, for cash either at par or premium such that the amount being raised pursuant to the Fresh Issue aggregates up to ₹ 4,500 million.

d) The Company has approved the Adoption of amended Articles of Association in the Extraordinary General Meeting held on September 25, 2023.

e) The Bank has completed the Initial Public Offer (IPO) of 1,11,76,713 Equity shares on an offer price of ₹ 468/- including the face value of ₹ 10/- each, consisting of fresh issue of 96,15,384 Equity Shares and Offer for Sale of 15,61,329 Equity shares by certain shareholders.

Further, the Company has listed its total number of Equity shares (including existing promoter's shareholding and IPO) aggregating to 4,50,42,520 to BSE Limited and National Stock Exchange of India Limited and admitted to dealing with effect from February 14, 2024.

f) M/s S C V & Co. LLP (FRN 000235N /N500089), Chartered Accountants were appointed in a Board Meeting Dated February 27, 2024 in place of M/s T R Chadha & Co. LLP Chartered Accountants (ICAI Firm Registration No.006711N/N500028), who become ineligible for re-appointment due to Letter received from RBI, to conduct the Statutory Audit of the Bank for the Financial Year 2023-24 and the term of M/s S C V & Co. LLP (FRN 000235N /N500089), Chartered Accountants shall expire at the conclusion of Annual General Meeting to be held in the Financial Year 2024-25.

g) **During the period under review, the Company has made following allotments:-**

- 12,850/- (Twelve Thousand Eight Hundred and Fifty) Equity Shares having face value of INR 10/- each aggregating to INR 1,28,500 (Indian Rupees One Lakh Twenty Eight Thousand Five Hundred Only) under the EMPLOYEE STOCK OPTION PLAN for MRT in a Securities Committee meeting dated May 26, 2023;
- 27,632 (Twenty Seven Thousand Six Hundred and Thirty Two) Equity Shares at ₹ 98/- each including face value of INR 10/- each and a premium of INR 88/- each aggregating to INR 27,07,936 (Indian Rupees Twenty-Seven Lakh Seven Thousand Nine Hundred Thirty-Six Only) under the EMPLOYEE STOCK OPTION PLAN - 2018 in a Securities Committee meeting dated May 26, 2023;
- During the period under review, the Company has issued and allotted 3099 (Three Thousand Ninety Nine) Unsecured Redeemable Subordinated Non-Convertible Lower Tier-II Basel II Compliant Bonds 2023-24 in the nature of debenture (Series XXI),

ANNEXURE – F

bearing a face value of INR 1,00,000/- (Indian Rupees One Lakh Only) in a Securities Committee meeting dated May 26, 2023;

- 10,57,700 (Ten Lakh Fifty Seven Thousand Seven Hundred) Equity Shares at INR 468/- each including face value of INR 10/- each and a premium of INR 458/- each aggregating to INR 49,50,03,600 (Indian Rupees Forty-Nine Crores Fifty Lakh Three Thousand Six Hundred Only) on Private Placement basis to Max life Insurance Co Ltd in a Securities Committee meeting June 17, 2023;
- 76,500 (Seventy Six Thousand Five Hundred) Equity Shares at ₹ 98/- each including face value of INR 10/- each and a premium of INR 88/- each aggregating to INR 74,97,000 (Rupees Seventy Four Lakhs Ninety Seven Thousand Only) under the EMPLOYEE STOCK OPTION PLAN - 2018 in a Securities Committee meeting dated November 06, 2023.

This report is to be read with our letter of even date which is annexed as **Annexure- A** and forms an integral part of this report.

For **DEEPAK ARORA & ASSOCIATES**
Practicing Company Secretaries
ICSI Unique Code: P2001RJ080000

PLACE: Jaipur
DATE: May 09, 2024

DEEPAK ARORA
Partner
FCS No. 5104 |COP No. 3641
Peer Review Certificate No: 692/2020
UDIN: F005104F000343200

ANNEXURE – F

Annexure A

To,
The Members

CAPITAL SMALL FINANCE BANK LIMITED
(CIN: L65110PB1999PLC022634)
MIDAS CORPORATE PARK
3rd FLOOR, 37, G.T. ROAD
JALANDHAR - 144001
PUNJAB -

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficency or effectiveness with which the management has conducted the affairs of the Company.

For **DEEPAK ARORA & ASSOCIATES**
Practicing Company Secretaries
ICSI Unique Code: P2001RJ080000

PLACE: Jaipur
DATE: May 09, 2024

DEEPAK ARORA
Partner
FCS No. 5104 |COP No. 3641
Peer Review Certificate No: 692/2020
UDIN: F005104F000343200

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To The Members of

Capital Small Finance Bank Limited

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of **CAPITAL SMALL FINANCE BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2024, the Profit and Loss Account, the Cash Flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (together referred to as "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act ("Accounting Standards") as applicable to Bank and other accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March, 2024, its profit and its cash flows for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit Matter	Auditor's Response
1	**Identification of Non-Performing Advances and Provisioning for Advances** (Refer Schedule 9 to the financial statements) Advances constitute a significant portion of the Bank's assets, and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank has gross advances amounting to 6,15,97,961 thousand (Previous Year 5,50,72,667 thousand) and the gross NPA ratio of Bank is 2.76 % (Previous Year 2.77%) as at 31 March, 2024. The Reserve Bank of India's (RBI) guidelines on income recognition, asset classification and provisioning ('IRAC norms') and other RBI Guidelines (herein after referred as "Relevant RBI guidelines") prescribes the norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank is also required to apply its judgement to determine the identification and provisioning for NPAs by applying quantitative as well as qualitative factors. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular, our procedures include: • We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines. • We have analysed and understood key IT systems/applications used and tested the design and implementation as well as operational effectiveness of relevant controls in relation to income recognition, asset classification, viz. standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines and provisioning pertaining to advances. • We test checked advances to examine the validity of the recorded amounts, underlying loan documentation and statement of accounts, indicators of impairment, impairment provision for NPAs, and compliance with IRAC norms and other RBI Guidelines. • We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies and applicable regulatory provisioning requirements. • We have considered the system generated "SMA" reports and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/ or provisioning.

INDEPENDENT AUDITOR'S REPORT

Sl. No.	Key Audit Matter	Auditor's Response
		• We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. • We had performed the walkthrough of the NPA automation process in the current financial year and tested the core functionality for selected sample and tested the identification of NPA and computation of provisions.
2	**Key Information technology (IT) systems used in financial reporting process:** As a Scheduled Commercial Bank that operates on core banking solution (CBS) and other loan applications across its branches, the reliability and security of IT systems plays a key role in the business operations. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial accounting and reporting. Due to the pervasive nature and complexity of the IT environment we have identified and tested access controls, segregating of duties and change management of relevant Information technology applications, databases, and operating systems (IT) used in financial reporting process as a key audit matter.	We obtained an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), program change controls, database management and network operations. Our procedures include: We tested the design, implementation, and operating effectiveness of the Bank's IT General controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit. We also tested key automated and manual business cycle controls and logic for system generated reports relevant to the audit; including testing of compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Bank's Management and Board of Directors are responsible for the other information. The other information comprises the information in the Annual Report but does not include the financial statements and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to

INDEPENDENT AUDITOR'S REPORT

the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

The Bank's Board of Directors are also responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has an adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatement in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit `and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The comparative financial information of the Bank for the previous reporting periods included in the financial statements has been audited by the predecessor auditor. The report of the predecessor auditor dated 19 May 2023, on this comparative financial information expressed an un-modified opinion.

Our Opinion on the financial statements is not modified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1) As required by Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, based on our Audit, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

   (b) In our opinion, the transactions of the Bank, which have come to our notice during the course of our audit have been within the power of the Bank.

   (c) As explained in the paragraph 2 below, the financial accounting system of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches.

   (d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.

   (e) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.

   (f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder.

   (g) On the basis of the written representations received from the directors as on 31 March 2024 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2024 from being appointed as a director in terms of Section 164 (2) of the Act;

   (h) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls with reference to financial statements.

   (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note No. 32 of the Schedule 18 to the financial statements.

      ii. The Bank did not have any long-term contracts including derivative contracts as at the year-end for which there were material foreseeable losses.

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

      iv. a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

      b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in

INDEPENDENT AUDITOR'S REPORT

writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. a) The final dividend paid by the Bank during the year in respect of the same declared for the previous year is in accordance with Section 123 of the Companies Act 2013 to the extent it applies to payment of dividend.

As stated in note 1.1.5 of Schedule 18 to the financial statements, the board of Directors of the bank have proposed final dividend for the year which is subject to the approval of the members at the ensuing annual general meeting. The dividend proposed is in accordance with section 123 of the Act.

vi. Based on our examination, which included test checks, the Bank has used accounting software for maintaining its books of account for the financial year ended 31 March, 2024, which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of the audit trail feature being tampered with.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from 1 April, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended 31 March, 2024.

(j) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of Section 35B(2A) of the Banking Regulation Act, 1949.

2) We report that during the course of our audit we have visited and performed select relevant procedures at 24 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the Core Banking System, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at Head Office based on the records and data required for the purpose of Audit being made available to us.

For **SCV & CO. LLP**
Chartered Accountants
Firm Registration No. 000235N/N500089

Sunny Singh
Partner
Membership No. 516834
ICAI UDIN: 24516834BKBMNR8947

Place: Noida
Dated: 9th May 2024

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

Annexure referred to in paragraph 3(h) under the heading "Report on other legal and regulatory requirements" of our report of even date.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Capital Small Finance Bank Limited** ("the Bank") as of 31st March 2024 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by Institute of Chartered Accountants of India and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting with reference to these financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2024, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **SCV & CO. LLP**
Chartered Accountants
Firm Registration No. 000235N/N500089

Sunny Singh
Partner
Membership No. 516834
ICAI UDIN: 24516834BKBMNR8947

Place: Noida
Dated: 9th May 2024

BALANCE SHEET

AS ON MARCH 31, 2024

(₹ in thousands)

Particulars	Schedule	As on March 31, 2024	As on March 31, 2023
CAPITAL & LIABILITIES			
Capital	1	4,50,425	3,42,525
Reserves and Surplus	2	1,15,23,752	57,63,582
Deposits	3	7,47,77,391	6,56,06,212
Borrowings	4	47,22,500	72,13,833
Other Liabilities and Provisions	5	14,78,705	9,81,595
Total		**9,29,52,773**	**7,99,07,747**
ASSETS			
Cash and Balances with Reserve Bank of India	6	56,89,812	46,26,522
Balances with Banks and Money at Call and Short Notice	7	75,21,764	41,82,094
Investments	8	1,70,57,065	1,48,85,810
Advances	9	6,07,46,920	5,42,86,883
Fixed assets	10	8,37,294	8,25,930
Other Assets	11	10,99,918	11,00,508
Total		**9,29,52,773**	**7,99,07,747**
Contingent Liabilities	12	6,29,957	5,64,740
Bills for Collection		-	-
Significant Accounting Policies and Notes forming part of the Financial Statements	17 & 18		

The schedules referred to above form an integral part of the Balance Sheet. The Balance Sheet has been prepared in conformity with Form A to the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

Sunny Singh
Partner
Membership No. 516834

Date: May 09, 2024
Place: Noida

For and on behalf of The Board of
Capital Small Finance Bank Limited

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Munish Jain
Director
DIN : 10132430

Dinesh Gupta
Director
DIN: 00475319

Aseem Mahajan
Chief Financial Officer

Date : May 09, 2024
Place : Jalandhar

Amit Sharma
Company Secretary
Membership No.FCS10888

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2024

(₹ in thousands)

Particulars	Schedule	Year ended March 31, 2024	Year ended March 31, 2023
INCOME			
Interest Earned	13	79,43,255	67,60,075
Other Income	14	6,80,796	4,94,748
Total		**86,24,051**	**72,54,823**
EXPENDITURE			
Interest Expended	15	44,91,774	35,40,237
Operating Expenses	16	25,83,288	22,27,538
Provisions and Contingencies (Refer Note 25 of Schedule 18)		4,33,736	5,51,086
Total		**75,08,798**	**63,18,861**
PROFIT			
Net profit for the year		11,15,253	9,35,962
Profit brought forward		23,31,819	16,70,211
Total		**34,47,072**	**26,06,173**
APPROPRIATIONS			
Transfer to Statutory Reserves		2,78,813	2,33,991
Transfer to Special Reserve		42,109	34,539
Transfer to/(from) Revenue and Other Reserves (Investment Fluctuation Reserve)		14,375	(20,842)
Transfer to/(from) Revenue and Other Reserves (Investment Reserve Account)		4,143	(7,568)
Transfer to Revenue and Other Reserves (Other Revenue Reserves)		6,188	-
Dividend paid during the year		42,421	34,234
Balance carried over to Balance sheet		30,59,023	23,31,819
Total		**34,47,072**	**26,06,173**
EARNING PER SHARE			
Basic (₹)		30.65	27.35
Diluted (₹)		30.45	27.21
Face Value (₹)		10.00	10.00
Significant Accounting Policies and Notes forming part of the Financial statements	17 & 18		

The schedules referred to above form an integral part of the Profit & Loss Account. The Proft & Loss Account has been prepared in conformity with Form B to the Third Schedule of the Banking Regulation Act, 1949.

As per our report of even date

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

Sunny Singh
Partner
Membership No. 516834

Date: May 09, 2024
Place: Noida

For and on behalf of The Board of
Capital Small Finance Bank Limited

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Munish Jain
Director
DIN : 10132430

Dinesh Gupta
Director
DIN: 00475319

Aseem Mahajan
Chief Financial Officer

Date : May 09, 2024
Place : Jalandhar

Amit Sharma
Company Secretary
Membership No.FCS10888

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2024

(₹ in thousands)

Particulars	Year ended March 31, 2024	Year ended March 31, 2023
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxes	14,82,137	12,41,564
Adjustments For:		
Depreciation Charge/Amortisation on Fixed Assets	1,69,029	2,06,670
Loan Loss Provision	66,852	2,45,484
Profit on Sale of Fixed Assets	(1,227)	(103)
Employee Stock Options Expense	41,854	26,709
Depreciation/(Reversal of Depreciation) on Investments	(7,367)	13,398
Operating profit before working capital changes	17,51,278	17,33,722
Movement in working capital		
(Increase)/Decrease in Term Deposits with other Banks	(26,71,681)	23,26,033
(Increase)/Decrease in Investments (other than HTM Investments)	(7,18,738)	4,94,691
(Increase) in Advances	(65,25,294)	(81,85,634)
Increase In Deposits	91,71,179	51,42,621
Decrease/(Increase) In Other Assets	37,550	(4,94,479)
Increase In Other Liabilities & Provisions	4,95,516	75,446
Cash Flow from Operating Activities	**15,39,810**	**10,92,400**
Direct Taxes Paid (net of refunds)	(4,10,033)	(3,43,568)
NET CASH FLOW FROM OPERATING ACTIVITIES	**11,29,777**	**7,48,832**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,84,539)	(1,97,644)
Proceeds from Sale of Fixed Assets	5,372	1,013
Investments in HTM securities (Net)	(14,45,150)	(18,23,272)
NET CASH FLOW USED IN INVESTING ACTIVITIES	**(16,24,317)**	**(20,19,903)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital including Share Premium	50,05,337	19,855
Share issue expenses	(2,45,764)	-
Net Proceeds from the new issue of Unsecured Redeemable Non Convertible Bonds/(Redemption of Bonds)	2,28,600	2,61,300
Net (Decrease)/Increase in Borrowings/ Refinance	(27,19,933)	19,68,233
Dividend Payment	(42,421)	(34,234)
NET CASH FLOW FROM FINANCING ACTIVITIES	**22,25,819**	**22,15,154**
Net Increase in Cash & Cash Equivalents	**17,31,279**	**9,44,083**
Cash & Cash Equivalents in the beginning of the year	49,19,381	39,75,298
Cash & Cash Equivalents at the end of the year	66,50,660	49,19,381

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules, 2021.
2. Figures in bracket indicates cash outflow.

As per our report of even date

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

Sunny Singh
Partner
Membership No. 516834

Date: May 09, 2024
Place: Noida

For and on behalf of The Board of
Capital Small Finance Bank Limited

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Munish Jain
Director
DIN : 10132430

Dinesh Gupta
Director
DIN: 00475319

Aseem Mahajan
Chief Financial Officer

Amit Sharma
Company Secretary
Membership No.FCS10888

Date : May 09, 2024
Place : Jalandhar

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2024

SCHEDULE - 1 CAPITAL

(₹ in thousands)

Particulars	As on March 31, 2024	As on March 31, 2023
Authorised Capital	**5,00,000**	**5,00,000**
5,00,00,000 equity shares of ₹ 10 each (Previous year 5,00,00,000 equity shares of ₹ 10 each)		
Issued, Subscribed and Fuly Paid-up Capital		
4,50,42,520 equity shares issued of ₹ 10 each fully paid-up	4,50,425	3,42,525
(Previous year 3,42,52,454 equity shares of ₹ 10 each)		
Total	**4,50,425**	**3,42,525**

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in thousands)

	Particulars	As on March 31, 2024	As on March 31, 2023
I	**Statutory Reserves**		
	Opening Balance	9,63,597	7,29,606
	Additions during the year	2,78,813	2,33,991
	Deductions during the year	-	-
	Total	**12,42,410**	**9,63,597**
II	**Capital Reserve**		
	Opening Balance	159	159
	Additions during the year	-	-
	Deductions during the year	-	-
	Total	**159**	**159**
III	**Special Reserve**		
	Opening Balance	70,957	36,418
	Additions during the year	42,109	34,539
	Deductions during the year	-	-
	Total	**1,13,066**	**70,957**
IV	**Share Premium**		
	Opening Balance	22,76,445	22,33,888
	Additions during the year	49,17,992	42,557
	Deductions during the year	(2,45,764)	-
	Total	**69,48,673**	**22,76,445**
V	**Revenue and Other Reserves**		
	Opening Balance	1,20,605	1,47,092
	Additions during the year	72,238	26,709
	Deductions during the year	(32,422)	(53,196)
	Total	**1,60,421**	**1,20,605**
VI	**Balance in Profit & Loss Account**	**30,59,023**	**23,31,819**
	Grand Total	**1,15,23,752**	**57,63,582**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2024

SCHEDULE 3 - DEPOSITS

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
A I	**Demand Deposits**		
	i) From Banks	805	11,398
	ii) From Others	25,62,883	24,00,243
II	**Saving Bank Deposits**	**2,60,73,845**	**2,50,67,321**
III	**Term Deposits**		
	i) From Banks	25,93,057	2,62,044
	ii) From Others	4,35,46,801	3,78,65,206
	Total (I+II+III)	**7,47,77,391**	**6,56,06,212**
B I	Deposits of branches in India	7,47,77,391	6,56,06,212
II	Deposits of branches outside India	-	-
	Total (I+II)	**7,47,77,391**	**6,56,06,212**

SCHEDULE 4 - BORROWINGS

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	**Borrowings in India**		
	i) Reserve Bank of India	-	-
	ii) Other Banks	-	-
	iii) Other Institutions and Agencies	20,85,200	48,05,133
	iv) Unsecured Redeemable Non-Convertible Bonds (Subordinated Debt- Tier II Capital)	22,47,300	20,18,700
	v) Hybrid debt Capital instrument issued as Debentures	3,90,000	3,90,000
II	**Borrowings outside India**	**-**	**-**
	Total (I+II)	**47,22,500**	**72,13,833**
	Secured Borrowings included in I & II above	20,85,200	48,05,133

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	Bills Payable	7,97,969	3,58,275
II	Inter-office adjustments (net)	-	-
III	Interest accrued	63,616	58,899
IV	Others (including provisions)	3,32,754	2,81,649
V	Provision against standard assets	2,84,366	2,82,772
	Total	**14,78,705**	**9,81,595**

SCHEDULE 6 - CASH AND BALANCE WITH RESERVE BANK OF INDIA

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	Cash in hand (including Cash at ATM & Foreign Currency Notes)	10,33,866	10,52,992
II	Balance with Reserve Bank of India		
	a) in current accounts	34,05,946	32,23,530
	b) in other deposit accounts	12,50,000	3,50,000
	Total (I+II)	**56,89,812**	**46,26,522**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2024

SCHEDULE 7 - BALANCE WITH BANKS AND MONEY AT CALL & SHORT NOTICE

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	**In India**		
I)	Balance with Banks		
	a) in current accounts	9,60,848	2,92,859
	b) in other deposit accounts	65,60,916	38,89,235
II)	Money at call and short notice		
	a) with Banks	-	-
	b) with other Institutions	-	-
	Total (I)	**75,21,764**	**41,82,094**
II	**Outside India**		
	a) in current accounts	-	-
	b) in other deposit accounts	-	-
	c) Money at call and short notice	-	-
	Total (II)	**-**	**-**
	G.Total (I+II)	**75,21,764**	**41,82,094**

SCHEDULE 8 - INVESTMENTS

(₹ in thousands)

	Particulars	As on March 31, 2024	As on March 31, 2023
I	**Investments in India in**		
	i) Government Securities	1,70,41,661	1,48,70,406
	ii) Other approved securities	-	-
	iii) Shares	15,404	15,404
	iv) Debentures and Bonds	-	-
	v) Subsidiaries and/or joint ventures	-	-
	vi) Others	-	-
	Total (I)	**1,70,57,065**	**1,48,85,810**
II	**Investments outside India in**		
	i) Government Securities (including Local Authorities)	-	-
	ii) Subsidiaries and/or joint ventures abroad	-	-
	iii) Other Investments	-	-
	Total (II)	**-**	**-**
	G.Total (I+II)	**1,70,57,065**	**1,48,85,810**
III	**Gross value of Investments**	1,70,63,096	1,48,99,208
	Provision for Depreciation	(6,031)	(13,398)
	Net Value of Investments	**1,70,57,065**	**1,48,85,810**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2024

SCHEDULE 9 - ADVANCES

(₹ in thousands)

		Particulars	As on March 31, 2024	As on March 31, 2023
A	i)	Bills Purchased and Discounted	-	-
	ii)	Cash Credits, Overdrafts and Loans Repayable on Demand	2,61,65,299	2,52,28,540
	iii)	Term Loans	3,45,81,621	2,90,58,343
	Total		**6,07,46,920**	**5,42,86,883**
B	i)	Secured by Tangible Assets	6,04,12,159	5,35,20,559
	ii)	Covered by Bank /Government Guarantees	2,69,930	6,88,687
	iii)	Unsecured	64,831	77,637
	Total		**6,07,46,920**	**5,42,86,883**
C	I)	Advances in India		
		i) Priority Sector (Refer Note 4.2 of Schedule 18)	3,63,67,824	3,49,60,671
		ii) Public Sector	-	-
		iii) Banks	-	-
		iv) Other	2,43,79,096	1,93,26,212
	Total (I)		**6,07,46,920**	**5,42,86,883**
	II)	Advances outside India		
		i) Due from Banks	-	-
		ii) Due from Others	-	-
		a) Bills Purchased & Discounted	-	-
		b) Syndicated Loans	-	-
		c) Others	-	-
	Total (II)		**-**	**-**
	G.Total (I+II)		**6,07,46,920**	**5,42,86,883**

SCHEDULE 10 - FIXED ASSETS

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	**Premises**		
	At cost as on 31st March of the preceeding year	1,07,641	1,07,641
	Additions during the year	-	-
	Deductions during the year	-	-
	Total	**1,07,641**	**1,07,641**
	Depreciation		
	As at 31st March of the preceeding year	2,090	723
	Charge for the year	1,371	1,367
	Total	**3,461**	**2,090**
	Net Block I	**1,04,180**	**1,05,551**
II	**Other Fixed Assets (including furniture & fixtures)**		
	At cost as on 31st March of the preceeding year	19,22,877	17,28,695
	Additions during the year	1,84,538	1,97,644
	Deductions during the year	(8,595)	(3,462)
	Total	**20,98,820**	**19,22,877**
	Depreciation		
	As at 31st March of the preceeding year	12,02,498	9,99,747
	Charge for the year	1,67,658	2,05,303
	Reversed on sale	(4,450)	(2,552)
	Total	**13,65,706**	**12,02,498**
	Net Block II	**7,33,114**	**7,20,379**
	Total (I & II)	**8,37,294**	**8,25,930**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

AS ON MARCH 31, 2024

SCHEDULE 11 - OTHER ASSETS

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	Inter-office adjustments (net)	-	-
II	Interest accrued	4,08,441	3,68,725
III	Taxes paid in advance/TDS(net of provision for taxes)	48,152	277
IV	Stationery & Stamps	6,316	5,762
V	Non- banking assets acquired in satisfaction of claims	-	-
VI	Others (includes deposits placed on account of shortfall in priority sector target amounting to ₹ 3,79,600 Thousands as on March 31, 2024 & ₹ 4,92,927 Thousands as on March 31, 2023)	6,37,009	7,25,744
	Total	**10,99,918**	**11,00,508**

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in thousands)

Particulars		As on March 31, 2024	As on March 31, 2023
I	Claims against the Bank not acknowledged as debts	12,208	12,208
II	Liability for partly paid investments	-	-
III	Liability on account of outstanding forward exchange contracts	-	-
IV	Guarantees given on behalf of constituents		
	(a) In India	5,23,592	4,72,526
	(b) Outside India	-	-
V	Acceptances, endorsements and other obligations	15,013	14,791
VI	Other items for which bank is contingently liable	79,144	65,215
	Total	**6,29,957**	**5,64,740**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

SCHEDULE 13 - INTEREST EARNED

(₹ in thousands)

Particulars		For the year ended March 31, 2024	For the year ended March 31, 2023
I	Interest/discount on advances/bills	62,43,474	53,28,584
II	Income on investments	11,21,580	9,76,184
III	Interest on balance with Reserve Bank of India and inter-bank funds	5,56,450	4,48,441
IV	Others	21,751	6,866
	Total	**79,43,255**	**67,60,075**

SCHEDULE 14 - OTHER INCOME

(₹ in thousands)

Particulars		For the year ended March 31, 2024	For the year ended March 31, 2023
I	Commission, exchange and brokerage	6,32,200	4,69,205
II	Profit on sale of investments (Net)	771	4,743
III	Profit/(Loss) on revaluation of investments (Net)	7,367	(13,398)
IV	Profit on sale of Land, building & other assets (Net)	1,227	103
V	Profit on Exchange Transactions (Net)	38,762	33,923
VI	Income earned by way of dividends etc.	-	-
VII	Miscellaneous income	469	172
	Total	**6,80,796**	**4,94,748**

SCHEDULE 15 - INTEREST EXPENDED

(₹ in thousands)

Particulars		For the year ended March 31, 2024	For the year ended March 31, 2023
I	Interest on deposits	39,94,337	31,14,332
II	Interest on Reserve bank of India/ Inter-Bank Borrowings	1,061	26,002
III	Others	4,96,376	3,99,903
	Total	**44,91,774**	**35,40,237**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in thousands)

Particulars		For the year ended March 31, 2024	For the year ended March 31, 2023
I	Payments to and provisions for employees	12,45,848	11,79,824
II	Rent, Taxes and Lighting	2,91,451	2,75,742
III	Printing and Stationery	27,221	32,282
IV	Advertisement and Publicity	13,996	10,422
V	Depreciation on Bank's property	1,69,029	2,06,670
VI	Directors' Fees, Allowances & Expenses	12,489	9,434
VII	Auditors' Fees and Expenses	12,297	7,571
VIII	Law charges	879	-
IX	Postage, Telegrams, Telephones etc.	46,174	39,473
X	Repairs and Maintenance	98,015	87,525
XI	Insurance	88,941	82,335
XII	Other expenditure	5,76,948	2,96,260
	Total	**25,83,288**	**22,27,538**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

1 Corporate Information

Capital Small Finance Bank Limited ('the Bank') a banking company incorporated under The Companies Act, 1956, is engaged in providing a wide range of banking and financial services including retail & commercial banking and treasury operations. The Bank is governed by the Banking Regulation Act, 1949. The name of the Bank has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Reserve Bank of India ('the RBI' or 'RBI') notification dated February 16, 2017. Headquartered in Jalandhar, Punjab. Capital Small Finance Bank began operations as India's first small finance bank (SFB) in April 2016 after conversion from Capital Local Area Bank. The Bank operates in India and does not have any branch outside India.

2 Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the generally accepted accounting principles in India ("Indian GAAP") and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the RBI from time to time (RBI guidelines), Accounting Standards referred to in Section 133 of the Companies Act, 2013 (the Act) read with the Companies (Accounting Standards) Rules, 2021 to the extent applicable and practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousands unless otherwise stated.

3 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from estimates and the differences between the actual results and the estimates are recognised prospectively in the year in which the results are known/ materialised.

4 Fixed Assets and Depreciation/Amortisation

4.1 Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

4.2 Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the primary lease period or useful life whichever is less. Software and system development expenditure is amortised over a period of 5 years.

4.3 Intangible assets are amortised on a straight- line basis over their estimated useful life. The amortisation period is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

4.4 The useful life of depreciation for key fixed assets is based on historic experience of the Bank, which is different from the useful life as prescribed in Schedule II of Companies Act, 2013 are as follows:

Asset	Estimated useful life as assessed by the Bank
Automated Teller Machines (ATMs)	10 years
Mobile Phones	3 years
Cash Sorting Machines	3 years

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

4.5 All other Assets are depreciated on the rates, calculated on the basis of useful life specified in the Schedule II of the Companies Act 2013, as detailed below:

Asset	Estimated useful life as assessed by the Bank
Computers	3 years
Plant and Machinery	15 years
Office Equipment	5 years
Furniture & Fixture	10 years
Motor Car	8 years
Two-Wheeler	10 years
Cycle	10 years

4.6 Assets purchased/sold during the year are depreciated on a pro-rata basis.

4.7 An item of fixed assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on de-recognition is recognised in the Profit and Loss account.

4.8 Gains or losses arising from disposal or retirement of tangible fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised on net basis, within "Other Income" as Profit/(Loss) on sale of fixed assets, as the case maybe, in the Profit and Loss account in the year of disposal or retirement.

4.9 Assets individually costing up to ₹ 5,000/- are depreciated fully in the year of acquisition. Further, profit on sale of premises by the Bank is appropriated to capital reserve, net of transfer to Statutory Reserve and taxes, in accordance with RBI guidelines.

5 Impairment of Assets

The carrying amount of assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.

6 Investments

Classification and valuation of the Bank's investments are carried out in accordance with RBI guidelines which are as follows:

6.1 Categorisation of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

- Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity.
- Held for Trading (HFT) – Securities acquired with the intention to trade.
- Available for Sale (AFS) – Securities which do not fall within the above two categories.

6.2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments in India are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures and (vi) Other Investments.

Investments outside India are classified under three groups viz., (i) Government Securities (Including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) Other Investments.

6.3 Acquisition cost

6.3.1 Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.

6.3.2 Cost of investments is computed based on the weighted average cost method.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

6.4 Valuation of Investments

6.4.1 Held to Maturity – Each security in this category is carried at its acquisition cost or amortised cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortised amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortised during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

6.4.2 Held for Trading – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

6.4.3 Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

6.4.4 Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Financial Benchmark India Private Limited (FBIL).

6.4.5 Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

6.4.6 Unquoted equity shares are valued at the break-up value, if latest balance sheet is available or at ₹ 1 as per the RBI guidelines.

6.4.7 Security purchase and sale transactions are recorded under Settlement Date method of accounting.

6.4.8 Provision for non-performing investments is made in conformity with RBI guidelines.

6.4.9 Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

6.4.10 In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

6.4.11 Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.

6.4.12 In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively.

6.4.13 Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

6.5 Broken period Interest

Broken period interest on debt instruments is charged to Profit and Loss Account.

6.6 Transfer of Security between Categories

Transfer of Securities from one category to another is carried out as per the RBI guidelines at acquisition cost or book value or market value, whichever is lower on the date of transfer and the depreciation, if any, on such transfer is fully provided for.

7 Advances

7.1 Advances are classified as per the RBI guidelines into standard, sub-standard, doubtful and loss assets. Advances are stated net of specific loan loss provision.

7.2 Specific provisions for non-performing advances and floating provisions are made in conformity with the RBI guidelines.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

7.3 In addition, the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

7.4 Provisions on Standard Assets are made @ 0.40% of the outstanding advances. Further, as per the RBI guidelines, the standard asset provisioning on individual housing loans sanctioned on and after June 07, 2017, is made @ 0.25%. However, provision for banks direct advances to agriculture and SME sectors is made @ 0.25%, medium enterprises sector is made @ 0.4%, commercial real estate sector is made @ 1% and housing loans at teaser rates @ 2% in pursuance to the RBI circulars issued from time to time. Further the same is shown under the head 'Other Liabilities and Provisions'.

7.5 Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss account.

7.6 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

7.7 The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines. Provision for restructuring is considered at borrower level.

7.8 The Bank enters into transactions for the sale/purchase of Priority Sector Lending Certificates (PSLCs) through the RBI platform. There is no transfer of risks or loan assets. The net fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the net expense paid on purchase of PSLC is recorded as 'Miscellaneous Expense'.

8 Net Profits

The Net Profits have been arrived at after:

- Provisions for Income Tax in accordance with the statutory requirements.
- Provisions on Advances
- Adjustments to the value of Investments
- Other usual and necessary provisions.

9 Revenue recognition

Income is accounted on Accrual basis except in the following cases:

9.1 Income on Non-Performing Assets is recognised on realisation basis as per the RBI guidelines.

9.2 Interest which remains overdue for 90 days on securities not covered by Government Guarantee is recognised on realisation basis as per RBI guidelines.

9.3 Commission (other than on Deferred Payment Guarantees and Government Transactions), Exchange and Brokerage are recognised on realisation basis. However, Commission, Exchange and Brokerage on loan accounts is recognised as and when charged to the borrower account.

9.4 Interest on Overdue Bills is recognised on Realisation Basis as per the RBI guidelines.

10 Employee benefits

10.1 **Provident Fund:** As per the statute, contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

10.2 **Gratuity:** Every employee is entitled to a benefit equivalent to 15 days' salary last drawn for each completed year of

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Bank or retirement, whichever is earlier. The benefits vest after five years of continuous service.

The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognised on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognises each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through a fund maintained by ICICI Prudential Life Insurance under separate Trust set up by the Bank.

10.3 Compensated absences: The compensated absences is a long term employee benefit. Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

10.4 Share-based payments: The measurement and disclosure of Employee Stock Options offered by the Bank is as per the Guidance Note on Accounting for Share-based Payments issued by the Institute of Chartered Accountants of India.

The cost of equity-settled transactions for stock options granted after the period ending March 31, 2021 is measured using the fair value method and for stock options granted prior to such period, is measured using the intrinsic value method. The costs are recognised, together with a corresponding increase in the Schedule 2- Revenue & Other Reserves Account. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

11 Lease

11.1 Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

11.2 Lease rentals under operating lease are charged to the Profit and Loss account on straight line basis over the lease term in accordance with AS-19, Leases.

12 Segment Reporting

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per the RBI guidelines.

Business Segment

The Bank's business has been segregated into four segments namely Treasury, Wholesale Banking, Retail Banking and other Banking Operations.

Geographical Segment

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

13 Earnings per Share

13.1 Basic Earnings per share is calculated by dividing the Net Profit or Loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

13.2 Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the year except when its results are anti-dilutive.

14 Taxes

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised; where there is unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future taxable income.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Current tax assets and liabilities and deferred tax assets and liabilities are calculated at the rates u/s section 115BAA of the Income Tax Act, 1961. Accordingly, as per Section 115JB, Minimum Alternate Tax (MAT) is not applicable.

15 Provisions and Contingent Liabilities & Contingent Assets

15.1 A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

15.2 A disclosure of contingent liability is made when there is:

- possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
- present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

15.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

15.4 Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

15.5 In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made in the financial statements. In case of remote possibility, neither provision nor disclosure is made in the financial statements.

16 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand (including balance in ATM), balances with the RBI, balances with other banks in current accounts and money at call and short notice.

17 Transaction involving Foreign Exchange

17.1 All transactions in foreign currency are recognised at the exchange rate as notified by the Foreign Exchange Dealers Association of India (FEDAI).

17.2 Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

17.3 Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate as notified by Foreign Exchange Dealers Association of India (FEDAI) at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

17.4 Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

SCHEDULE 18 - NOTES TO ACCOUNTS APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 CAPITAL

1.1 Regulatory Capital

Capital to risk-weighted asset ratio ('Capital Adequacy Ratio') of the Bank has been computed in accordance with the Reserve Bank of India ('RBI') circular no DBR. NBD. No.26/ 16.13.218/2016-17, dated October 06, 2016 on "Operating Guidelines for Small Finance Banks". The Bank has followed Basel II Standardised Approach for credit risk. Market risk and operation risk has not been considered for measurement of Capital Adequacy Ratio as per the letter issued by the Reserve Bank of India vide reference number DBR.NBD.No.4502/16.13.218/2017-18 dated November 08, 2017 to all the small finance banks.

The total Capital Adequacy Ratio of the Bank as at March 31, 2024 is 27.39% (previous year: 18.87%) against the regulatory requirement of 15% as prescribed by the RBI. No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Banks (SFB) as per operating guidelines issued by the RBI.

1.1.1 Composition of Regulatory Capital

(₹ in crores)

S. No.	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
1.	Common Equity Tier 1 Capital (CET 1)	1,168.47	586.47
2.	Additional Tier 1 Capital	-	-
3.	Tier 1 Capital (1+2)	1,168.47	586.47
4.	Tier 2 Capital	235.04	221.80
5.	Total Capital (Tier 1 + Tier 2)	1,403.51	808.27
6.	Total Risk Weighted Assets (RWAs)	5,124.04	4,284.43
7.	CET 1 Ratio (CET 1 as a percentage of RWAs)	22.80%	13.69%
8.	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	22.80%	13.69%
9.	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	4.59%	5.18%
10.	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	27.39%	18.87%
11.	Leverage Ratio	12.37%	7.21%
12.	Percentage of the shareholding of (a) Government of India (b) State Government (c) Sponsor Bank	-	-
13.	Amount of paid-up equity capital raised during the year	10.79	0.21
14.	Amount of non-equity Tier 1 capital raised during the year, of which		
	(a) Perpetual Non-Cumulative Preference Shares	-	-
	(b) Perpetual Debt Instruments	-	-
15.	Amount of Tier 2 capital raised during the year, of which		
	(a) Debt Capital Instruments	30.99	32.17
	(b) Perpetual Non-Cumulative Preference Shares	-	-
	(c) Perpetual Debt Instruments	-	-

1.1.2 Tier I Capital Infusion

During the year ended March 31, 2024, the Bank has issued and allotted:

1.1.2.1 96,15,384 equity shares having face value of ₹ 10/- each at a premium of ₹ 458/- (i.e., at the total issue price of ₹ 468/-) per equity share aggregating to ₹ 450.00 crores, as public issue in Initial Public Offering (IPO) dated February 14, 2024;

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

1.1.2.2 10,57,700 equity shares having face value of ₹ 10/- each at a premium of ₹ 458/- (i.e., at the total issue price of ₹ 468/-) per equity share aggregating to ₹ 49.50 crores on a private placement basis under preferential allotment; and

1.1.2.3 1,16,982 equity shares to employees of the Bank in form of employee stock option as per the ESOP plans of the Bank.

During the year ended March 31, 2023, the Bank has allotted 2,08,363 equity shares to employees of the Bank in form of employee stock option as per the ESOP plan of the Bank.

1.1.3Tier 2 Capital Infusion/Redemption

During the year ended March 31, 2024, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bond, detailed as below:

(₹ in crores)

Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XXI	26-May-23	10%	10 Years	30.99

During the year ended March 31, 2023, the Bank has raised Unsecured Redeemable Non-Convertible Lower Tier II Bond, detailed as below:

(₹ in crores)

Series	Date of Allotment	Coupon (%)	Tenure	Amount
Series XX	12-May-22	9.25%	10 Years	32.17

Maturity

During the year ended March 31, 2024, the following Unsecured Redeemable Non-Convertible Lower Tier II Bonds had matured:

(₹ in crores)

Series	Date of Maturity	Coupon (%)	Amount
Series VIII	04-May-23	11%	5.03
Series IX	20-May-23	11%	3.10

During the year ended March 31, 2023, the following Unsecured Redeemable Non-Convertible Lower Tier II Bonds had matured:

(₹ in crores)

Series	Date of Maturity	Coupon (%)	Amount
Series VII	25-Aug-22	11.00%	6.04

1.1.4Maturity Profile of total bonds outstanding as on March 31, 2024:

Unsecured Redeemable Non-Convertible Lower Tier II Bonds

(₹ in crores)

Series	ISIN	Amount	Maturity Date
11% Tier II Bonds Series X	INE646H08095	9.47	24-May-24
10.50% Tier II Bonds Series XII	INE646H08178	12.00	17-Feb-26
9.75% Tier II Bonds Series XIV	INE646H08160	15.90	25-Nov-26
9.25% Tier II Bonds Series XV	INE646H08152	20.95	15-May-28
10% Tier II Bonds Series XVI	INE646H08103	18.00	28-Feb-29
10% Tier II Bonds Series XVII	INE646H08129	22.50	31-Mar-29
9.25% Tier II Bonds Series XVIII	INE646H08186	31.40	18-Nov-30
9.25% Tier II Bonds Series XIX	INE646H08194	31.35	29-Jun-31
9.25% Tier II Bonds Series XX	INE646H08202	32.17	12-May-32
10% Lower Tier II Bonds Series XXI	INE646H08210	30.99	26-May-33
TOTAL		**224.73**	

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

Unsecured Redeemable Non-Convertible Upper Tier II Bonds

(₹ in crores)

Series	ISIN	Amount	Maturity Date
11.75% Upper Tier II Bonds Series XI	INE646H08012	14.00	31-Mar-30
11.75% Upper Tier II Bonds Series XIII	INE646H08020	25.00	30-Mar-31
TOTAL		**39.00**	

1.1.5 Proposed Dividend

For the year ended March 31, 2024, the Board of Directors, in its meeting held on May 09, 2024 recommended a dividend of ₹ 1.20 (₹ 1.20 per share for the year ended March 31, 2023) per equity share having face value of ₹ 10 each. The recommendation made is in accordance with the guidelines issued by the Reserve Bank of India on declaration of dividend by banks.

According to the AS 4 - 'Contingencies and events occurring after the balance sheet date' as notified by the Ministry of Corporate Affairs through Companies (Accounting Standards) Rules, 2021, the Bank has not accounted proposed dividend (including tax) as a liability. However, the Bank has reckoned proposed dividend in determining capital funds for computing capital adequacy ratio as on March 31, 2024.

1.1.6 Drawdown from Reserves

(₹ in crores)

	For the year ended March 31, 2024	For the year ended March 31, 2023
Investment Fluctuation Reserve Account (IFR)	-	2.08
ESOP Reserve	2.62	2.48
Investment Reserve Account	-	0.76
Share Premium	24.57	-
Other Revenue Reserve	0.62	-

1. The draw down in the IFR is as per the RBI guidelines and the Bank has maintained IFR of 2% and above as a percentage of closing balance of investments in AFS and HFT category.
2. The draw down in the ESOP Reserve is on account of ESOPs issued/reversed during the year in terms of ESOP plans of the Bank and the RBI guidelines.
3. The draw down from the Investment Reserve Account is against the depreciation provided on investment, net of applicable taxes and statutory reserve requirement.
4. The draw down from Share Premium is on account of share issue expenses towards the IPO of the Bank.
5. The draw down from the Other Revenue Reserve is on account of debit for unamortised provision against fraud (refer note no. 4.8)

2 Asset Liability Management

2.1 Maturity Pattern of certain items of Assets & Liabilities as on March 31, 2024 and as on March 31, 2023

(₹ in crores)

Particulars	Year	Day 1	2 to 7 Days	8 to 14 days	15 to 30 Days	31 days to 2 Months	over 2 months and to 3 months	over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 Years	Total
Loans & Advances	March 2024	227.91	183.63	185.44	190.69	83.20	91.25	265.94	486.81	3266.34	745.36	348.12	6074.69
	March 2023	201.75	164.80	165.85	164.49	65.84	70.51	212.42	485.84	2,954.12	627.22	315.85	5,428.69
Investment	March 2024	389.32	17.46	12.05	57.18	32.07	37.20	48.58	68.81	635.35	123.87	283.82	1705.71
	March 2023	258.15	15.44	5.86	52.59	20.58	19.06	35.94	54.73	605.68	100.72	319.83	1,488.58
Deposits	March 2024	212.48	61.55	56.22	307.10	266.84	210.29	366.43	439.41	3508.38	632.91	1416.13	7477.74
	March 2023	174.41	47.41	31.55	277.23	105.44	105.69	205.92	307.77	3,238.50	530.35	1,536.34	6,560.62
Borrowing	March 2024	-	-	2.96	-	37.43	5.46	36.38	69.44	94.22	61.45	164.91	472.25
	March 2023	-	29.98	5.25	-	13.38	7.75	123.25	126.51	203.99	15.90	195.37	721.38
Foreign Currency Assets	March 2024	-	-	-	-	-	-	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	March 2024	-	-	-	-	-	-	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-	-	-	-	-	-	-

Classification of Assets and Liabilities under the maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the Reserve Bank of India.

2.2 Liquidity Coverage Ratio (LCR)

Qualitative Disclosure

The Liquidity Coverage Ratio (LCR) measures a bank's liquidity risk profile, ensures that a bank has an adequate stock of unencumbered high-quality liquid assets that can be easily and immediately converted into cash, in financial markets, at no or little loss of value. The LCR requirements are designed to ensure banks maintain an adequate level of readily available, high-quality liquid assets, or HQLA, that can quickly and easily be converted into cash to meet any liquidity needs that might arise during a 30-day period of liquidity stress.

The LCR is the percentage resulting from dividing the bank's stock of high-quality assets by the estimated total net cash outflows over a 30- calendar day stress scenario. The minimum liquidity coverage ratio required for is 100%. In other words, the stock of high-quality assets must be at least as large as the expected total net cash outflows over the 30-day stress period. The Bank adheres to RBI guidelines 'Basel III Framework on Liquidity Standards – on Liquidity Coverage Ratio (LCR)', Liquidity Risk Monitoring Tools and the LCR Disclosure Standards that are applicable to banks in India

As per the RBI directions, the Banks are prescribed to maintain minimum LCR of 100% from January 01, 2021 onwards.

2.2 Liquidity Coverage Ratio (LCR) (Contd.)

The Bank during the quarter ended March 31, 2024 maintained average HQLA of ₹ 2142.75 crores against the average net cash outflows of ₹ 811.96 crores. The entire HQLA was Level 1 HQLA. The average LCR of the Bank for the quarter ended March 31, 2024 was 263.90%, which is well above the regulatory threshold of 100%.

HQLA primarily included government securities in excess of minimum Statutory Liquidity Ratio (SLR), the extent allowed under the Marginal Standing Facility (MSF) and the Facility to Avail Liquidity for LCR (FALLCR). Additionally, cash, balances in excess of cash reserve requirement with RBI. For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario.

Quantitative Disclosure

The table below sets out the average LCR of the Bank for year ended March 2024 and all the four quarters of FY24:

(₹ in crores)

	Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2023		Quarter Ended Sept 30, 2023		Quarter Ended Dec 31, 2023		Quarter Ended March 31, 2024	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets									
1	**Total High Quality Liquid Assets (HQLA)**		1,850.95		1,840.58		2,072.23		2,142.75
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
	(i) Stable deposits	1,808.84	90.44	1,900.58	95.03	1,922.22	96.11	1,932.86	96.64
	(ii) Less stable deposits	4,156.47	415.65	4,116.49	411.65	4,300.62	430.06	4,320.82	432.08
3	**Unsecured wholesale funding, of which:**								
	(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	(ii) Non-operational deposits (all counterparties)	614.02	311.20	645.14	326.93	646.79	334.35	640.85	335.04
	(iii) Unsecured debt	-	-	-	-	-	-	-	-
4	**Secured wholesale funding**	5.20	-	-	-	-	-	-	-
5	**Additional requirements, of which**								
	(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	(iii) Credit and liquidity facilities	185.67	14.74	565.74	37.61	668.23	42.2	662.43	50.84
6	**Other contractual funding obligations**	50.09	50.09	62.98	62.98	44.68	44.68	63.36	63.36
7	**Other contingent funding obligations**	89.24	3.55	86.76	3.49	74.14	2.72	57.23	1.87
8	**Total Cash Outflows**		**885.66**		**937.69**		**950.13**		**979.83**

2.2 Liquidity Coverage Ratio (LCR) (Contd.)

(₹ in crores)

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2023		Quarter Ended Sept 30, 2023		Quarter Ended Dec 31, 2023		Quarter Ended March 31, 2024	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
Cash Inflows								
9 Secured lending (e.g. reverse repos)	154.59	-	93.19	-	226.9	-	158.26	-
10 Inflows from fully performing exposures	90.66	56.78	96.30	61.77	99.97	64.83	109.00	70.76
11 Other cash inflows	88.25	61.88	138.72	128.13	41.37	30.89	107.70	97.11
12 Total Cash Inflows	**333.50**	**118.66**	**328.21**	**189.89**	**368.24**	**95.72**	**374.96**	**167.87**
13 Total HQLA		**1,850.95**		**1,840.58**		**2,072.23**		**2,142.75**
14 Total Net Cash Outflows		**767.00**		**747.80**		**854.41**		**811.96**
15 Liquidity Coverage Ratio (%)		**241.32%**		**246.13%**		**242.53%**		**263.90%**

* The average weighted and unweighted amounts have been calculated considering simple average based on daily observation for the respective quarters.

The table below sets out the average LCR of the Bank for year ended March 2023 and all the four quarters of FY23:

(₹ in crores)

Liquidity Coverage Ratio (LCR)	Quarter Ended June 30, 2022		Quarter Ended Sept 30, 2022		Quarter Ended Dec 31, 2022		Quarter ended March 31, 2023	
	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		1,640.20		1,374.26		1,668.11		1,594.99
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	1,677.80	83.89	1,718.41	85.92	1,789.77	89.49	1,835.49	91.77
(ii) Less stable deposits	3,711.84	371.18	3,807.20	380.72	4,032.85	403.29	4,063.34	406.33
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	694.71	395.09	640.28	345.72	632.56	319.59	630.60	322.62
(iii) Unsecured debt	-	-	-	-	-	-	-	-

2.2 Liquidity Coverage Ratio (LCR) (Contd.)

(₹ in crores)

Liquidity Coverage Ratio (LCR)		Quarter Ended June 30, 2022		Quarter Ended Sept 30, 2022		Quarter Ended Dec 31, 2022		Quarter ended March 31, 2023	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
4	Secured wholesale funding	3.90	-	102.51	-	19.32	-	32.77	-
5	Additional requirements, of which								
	(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
	(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
	(iii) Credit and liquidity facilities	206.26	14.21	194.55	10.95	199.52	17.06	188.41	14.66
6	Other contractual funding obligations	31.68	31.68	45.89	45.89	38.14	38.14	93.97	93.97
7	Other contingent funding obligations	42.03	1.39	37.82	1.26	46.72	1.46	55.30	1.82
8	Total Cash Outflows		897.44		870.46		869.02		931.17
Cash Inflows									
9	Secured lending (e.g. reverse repos)	60.24	-	-	-	9.11	-	6.88	-
10	Inflows from fully performing exposures	91.12	55.13	96.4	57.82	96.77	58.03	88.24	50.39
11	Other cash inflows	73.00	62.41	87.14	76.55	180.80	83.57	246.87	138.85
12	Total Cash Inflows	224.36	117.54	183.54	134.37	286.68	141.6	341.99	189.24
13	Total HQLA		1,640.20		1,374.26		1,668.11		1,594.99
14	Total Net Cash Outflows		779.90		736.09		727.42		741.93
15	Liquidity Coverage Ratio (%)		210.31%		186.70%		229.32%		214.98%

* The average weighted and unweighted amounts have been calculated considering simple average based on daily observation for the respective quarters.

3 Investments

3.1 Composition of Investment Portfolio

As on March 31, 2024

(₹ in crores)

Particulars	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	1316.12	-	-	-	-	-	1316.12	-	-	-	-	1316.12
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	**1316.12**	**-**	**-**	**-**	**-**	**-**	**1316.12**	**-**	**-**	**-**	**-**	**1316.12**
Available for Sale												
Gross	388.65	-	1.54	-	-	-	390.19	-	-	-	-	390.19
Less: Provision for depreciation and NPI	0.60	-	-	-	-	-	0.60	-	-	-	-	0.60
Net	**388.05**	**-**	**1.54**	**-**	**-**	**-**	**389.59**	**-**	**-**	**-**	**-**	**389.59**
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Investments	**1704.77**	**-**	**1.54**	**-**	**-**	**-**	**1706.31**	**-**	**-**	**-**	**-**	**1706.31**
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	0.60	-	-	-	-	-	0.60	-	-	-	-	0.60
Net	**1704.17**	**-**	**1.54**	**-**	**-**	**-**	**1705.71**	**-**	**-**	**-**	**-**	**1705.71**

3.1 Composition of Investment Portfolio (Contd.)

As on March 31, 2023

(₹ in crores)

Particulars	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	1,171.60	-	-	-	-	-	1,171.60	-	-	-	-	1,171.60
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	**1,171.60**	**-**	**-**	**-**	**-**	**-**	**1,171.60**	**-**	**-**	**-**	**-**	**1,171.60**
Available for Sale												
Gross	316.78	-	1.54	-	-	-	318.32	-	-	-	-	318.32
Less: Provision for depreciation and NPI	1.34	-	-	-	-	-	1.34	-	-	-	-	1.34
Net	**315.44**	**-**	**1.54**	**-**	**-**	**-**	**316.98**	**-**	**-**	**-**	**-**	**316.98**
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Investments	**1,488.38**	**-**	**1.54**	**-**	**-**	**-**	**1489.92**	**-**	**-**	**-**	**-**	**1489.92**
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	1.34	-	-	-	-	-	1.34	-	-	-	-	1.34
Net	**1,487.04**	**-**	**1.54**	**-**	**-**	**-**	**1,488.58**	**-**	**-**	**-**	**-**	**1,488.58**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹ in crores)

Particulars		For the year ended March 31, 2024	For the year ended March 31, 2023
i.	Movement of provisions held towards depreciation on investments		
a)	Opening balance	1.34	-
b)	Add: Provisions made during the year	4.32	4.37
c)	Less: Write off/ write back of excess provisions during the year	(5.06)	(3.03)
d)	Closing balance	0.60	1.34
ii.	Movement of Investment Fluctuation Reserve		
a)	Opening balance	6.37	8.45
b)	Add: Amount transferred during the year	1.43	-
c)	Less: Drawdown	-	(2.08)
d)	Closing balance	7.80	6.37
iii.	Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/ Current category	2.00%	2.00%

3.3 Sale and Transfer of Investments

During the year ended March 31, 2024 and March 31, 2023, there is no sale/transfer of securities to/from HTM categories exceeding 5% of the book value of the investments held in HTM category at the beginning of the year, which requires the disclosure as per the RBI guidelines.

However, the Bank after approval of the Board of Directors, at the beginning of the accounting year, has transferred government securities within the categories as stated below:

During the year ended March 31, 2024

(₹ in crores)

Category		Book Value of Securities transferred	Market Value of Securities transferred
From	To		
Held to Maturity	Available for sale	37.98	39.28
Total		37.98	39.28

The Bank has not sold any security from HTM category during the year.

During the year ended March 31, 2023

(₹ in crores)

Category		Book Value of Securities transferred	Market Value of Securities transferred
From	To		
Held to Maturity	Available for sale	35.46	36.49
Total		35.46	36.49

The Bank has not sold any security from HTM category during the year.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

3.4 Non-SLR Investment Portfolio

3.4.1 Issuer composition of Non-SLR investments as on last date of the year

As on March 31, 2024

(₹ in crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1.	2.	3.	4.	5.	6.	7.
i.	PSUs	-	-	-	-	-
ii.	FIs	-	-	-	-	-
iii.	Banks	-	-	-	-	-
iv.	Private Corporates	1.54	1.54	-	-	1.54
v.	Subsidiaries/ Joint Ventures	-	-	-	-	-
vi.	Others	-	-	-	-	-
vii.	Provision held towards depreciation	-	-	-	-	-
	Total	**1.54**	**1.54**	**-**	**-**	**1.54**

As on March 31, 2023

(₹ in crores)

S. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1.	2.	3.	4.	5.	6.	7.
i.	PSUs	-	-	-	-	-
ii.	FIs	-	-	-	-	-
iii.	Banks	-	-	-	-	-
iv.	Private Corporates	1.54	1.54	-	-	1.54
v.	Subsidiaries/ Joint Ventures	-	-	-	-	-
vi.	Others	-	-	-	-	-
vii.	Provision held towards depreciation	-	-	-	-	-
	Total	**1.54**	**1.54**	**-**	**-**	**1.54**

3.4.2 Non-performing Non-SLR investments

The Bank does not have any non-performing Non-SLR investment during the year ended March 31, 2024 and March 31, 2023.

3.5 Repo/ Reverse Repo

During the year ended March 31, 2024

The Bank has undertaken MSF, Tri-party repo/reverse repo, Automated Sweep In Sweep Out (ASISO) during the year with Clearing Corporation of India Ltd. (CCIL) and RBI as part of money market operations.

(₹ in crores)

Particulars	Minimum Outstanding during the Year (Face Value)	Maximum Outstanding during the Year (Face Value)	Daily Average outstanding during the Year (Face Value)	Outstanding as on March 31, 2024 (Face Value)
Securities sold under repo:				
1. Government Securities	14.99	54.97	1.56	-
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	14.99	599.89	154.77	-
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

3.5 Repo/ Reverse Repo (Contd.)

During the year ended March 31, 2023

The Bank has undertaken MSF, Tri-party repo/reverse repo, Automated Sweep In Sweep Out (ASISO) and Long Term Repo transactions during the year with Clearing Corporation of India Ltd. (CCIL) and RBI as part of money market operations.

(₹ in crores)

Particulars	Minimum Outstanding during the Year (Face Value)	Maximum Outstanding during the Year (Face Value)	Daily Average outstanding during the Year (Face Value)	Outstanding as on March 31, 2024 (Face Value)
Securities sold under repo:				
1. Government Securities	8.00	199.97	40.97	29.98
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
1. Government Securities	20	200	19.04	-
2. Corporate Debt Securities	-	-	-	-
3. Any other securities	-	-	-	-

3.6 Government Security Lending (GSL) transactions (in market value terms)

The Bank has not dealt into any GSL transaction during the year ended March 31, 2024 and March 31, 2023.

4 Asset Quality

4.1 Classification of advances and provisions held

As on March 31, 2024

(₹ in crores)

	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Gross Standard Advances and NPAs						
Opening balance	5,354.65	48.30	104.32	-	152.62	5,507.27
Add: Additions during the year					128.43	
Less: Reductions during the year*					110.87	
Closing balance	5,989.62	47.32	122.75	0.11	170.18	6,159.80
*Reductions in Gross NPAs due to:						
i) Upgradation					87.99	
ii) Recoveries (excluding recoveries from upgraded accounts)					22.55	
iii) Technical/Prudential Write Offs					-	
iv) Write Offs other than those under (iii) above					0.33	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	28.28*	10.34	68.24	-	78.58	106.86
Add: Fresh provisions made during the year					29.03	
Less: Excess provision reversed/ Write-off loans					22.51	
Closing balance of provisions held	28.44*	10.26	74.73	0.11	85.10	113.54
Net NPAs						
Opening balance		37.96	36.09	-	74.05	
Add: Fresh additions during the year					99.40	
Less: Reductions during the year					88.36	
Closing balance		37.06	48.02	-	85.08	

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

4.1 Classification of advances and provisions held (Contd.)

(₹ in crores)

	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/Prudential written-offs accounts						-
Add: Technical/ Prudential write-offs during the year						-
Less: Recoveries made from previously technical/prudential written-off accounts during the year						-
Closing balance						-

*During the year ended March 31, 2024, the general provision against standard assets includes provision of ₹ 8.22 crores (year ended March 31, 2023 amounts to ₹ 10.41 crores) created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector –Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.

As on March 31, 2023

(₹ in crores)

	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Gross Standard Advances and NPAs						
Opening balance	4,571.57	50.65	66.48	-	117.13	4,688.70
Add: Additions during the year					154.37	
Less: Reductions during the year*					118.88	
Closing balance	5,354.65	48.30	104.32	-	152.62	5,507.27
*Reductions in Gross NPAs due to:						
v) Upgradation					98.06	
vi) Recoveries (excluding recoveries from upgraded accounts)					20.70	
vii) Technical/Prudential Write Offs					-	
viii) Write Offs other than those under (iii) above					0.12	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	28.40*	12.06	41.84	-	53.90	82.30
Add: Fresh provisions made during the year					46.03	
Less: Excess provision reversed/ Write-off loans					21.35	
Closing balance of provisions held	28.28*	10.34	68.24	-	78.58	106.86
Net NPAs						

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

4.1 Classification of advances and provisions held (Contd.)

(₹ in crores)

	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total Non-performing Advances	
Opening balance		38.59	24.63	-	63.23	
Add: Fresh additions during the year					108.34	
Less: Reductions during the year					97.52	
Closing balance		37.96	36.09	-	74.05	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/Prudential written-offs accounts						-
Add: Technical/ Prudential write-offs during the year						-
Less: Recoveries made from previously technical/prudential written-off accounts during the year						-
Closing balance						-

*During the year ended March 31, 2023, the general provision against standard assets includes provision of ₹ 10.41 crores (year ended March 31, 2022 amounts to ₹ 13.42 crores) created in accordance with RBI Circular "Micro, Small and Medium Enterprises (MSME) sector –Restructuring of Advances" and "Resolution Framework for COVID-19-related Stress" issued on August 06, 2020 and May 05, 2021.

4.2 Sector-wise Advances and Gross NPAs

(₹ in crores)

Sr. No.	Sector	Year ended March 31, 2024			Year ended March 31, 2023		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A)	**Priority Sector**						
1	Agriculture & allied activities	2,293.12	72.67	3.17%	2,137.45	62.68	2.93%
2	Advances to industries sector eligible as priority sector lending of which:	181.32	2.01	1.11%	188.32	5.37	2.85%
	- advances to Textile Industry	18.74	1.55	8.25%	17.99	1.10	6.11%
	- advances to Iron/Steel and Metal Industry	24.93	-	-	37.48	1.36	3.63%
3	Services of which:	673.31	23.76	3.53%	658.73	26.03	3.95%
	- advances to Traders	414.57	12.71	3.07%	386.82	14.34	3.71%
4	Personal Loans	-	-	-	-	-	-
5	Others	534.44	5.34	1.00%	555.83	2.44	0.44%
	Sub-total (A)	**3,682.19**	**103.78**	**2.82%**	**3,540.33**	**96.52**	**2.73%**

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

4.2 Sector-wise Advances and Gross NPAs (Contd.)

(₹ in crores)

Sr. No.	Sector	Year ended March 31, 2024			Year ended March 31, 2023		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
B)	**Non - Priority Sector**						
1	Agriculture & allied activities	-	-	-	-	-	-
2	Industry	-	-	-	-	-	-
3	Services of which:	197.76	15.99	8.08%	171.93	18.12	10.54%
	- advances to Traders	182.11	15.98	8.78%	157.52	18.11	11.50%
4	Personal Loans	5.53	1.32	23.81%	8.26	1.36	16.46%
5	Others of which:	2,274.32	49.09	2.16%	1,786.75	36.62	2.05%
	- advances to NBFCs	561.35	5.80	1.03%	382.93	5.80	1.51%
	Sub-Total (B)	**2,477.61**	**66.40**	**2.68%**	**1,966.94**	**56.10**	**2.85%**
	TOTAL (A+B)	**6,159.80**	**170.18**	**2.76%**	**5,507.27**	**152.62**	**2.77%**

4.3 Ratios

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Gross NPA to Gross Advances	2.76%	2.77%
Net NPA to Net Advances	1.40%	1.36%
Provision Coverage Ratio	50.01%	51.48%

4.4 Overseas Assets, NPAs and Revenue

The Bank does not hold any overseas asset/NPA as at March 31, 2024 and March 31, 2023. No overseas operations were undertaken during the year ended March 31, 2024 and March 31, 2023, hence revenue from overseas operations is Nil.

4.5 Restructuring of Accounts

4.5.1 Disclosure on Prudential Framework on Resolution of Stressed Assets, dated June 07, 2019

The Reserve Bank of India has issued guidelines on Prudential Framework on Resolution of Stressed Assets, dated June 07, 2019. The Bank has not restructured any account under the framework during the year ended March 31, 2024 and March 31, 2023.

4.5.2 Restructuring under "Resolution Framework – 1.0: Resolution Framework for COVID-19-related Stress" and "Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" is as under:

During the year ended March 31, 2024:

(₹ in crores)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on September 30, 2023 (A)[1]	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year[2]	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on March 31, 2024
Personal Loans	15.82	1.46	-	0.95	13.41
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	1.68	0.27	-	0.19	1.22
Total	17.50	1.73	-	1.14	14.63

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

[1] includes requests received till September 30, 2021 implemented subsequently

[2] Net of increase in exposure during the period

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

4.5 Restructuring of Accounts (Contd.)

During the year ended March 31, 2023:

(₹ in crores)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on September 30, 2022 (A)[1]	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year[2]	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as on March 31, 2023
Personal Loans	24.02	3.07	-	2.77	18.18
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	2.86	0.20	-	0.36	2.29
Total	26.88	3.27	-	3.13	20.47

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

[1] includes requests received till September 30, 2021 implemented subsequently

[2] Net of increase in exposure during the period

4.5.3 Particulars of Accounts Restructured (other than under Covid -19 and MSME restructuring schemes)

(₹ in crores)

Particulars		Agriculture and allied activities		Corporate (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023
Standard	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-
Sub-Standard	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-
Doubtful	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-
Total	Number of borrowers	-	-	-	-	-	-	-	-	-	-
	Gross Amount	-	-	-	-	-	-	-	-	-	-
	Provisions held	-	-	-	-	-	-	-	-	-	-

4.6 Details of loans transferred/acquired under the master directions of Reserve Bank of India on Transfer of Loan Exposures dated September 24, 2021 updated as on December 05, 2022

The Bank has not transferred/acquired any stressed loan or loan not in default during the year ended March 31, 2024 and March 31, 2023.

4.7 Disclosure under Rule 11 (e) of the Companies (Audit and Auditors) Rules, 2014

The Bank, as part of its normal banking business, grants loans and advances, makes investments, provides guarantees, to and accepts deposits and borrowings from its customers and borrowing from entities. These transactions are part of Bank's normal banking business, which is conducted ensuring adherence to all regulatory requirements and bank's internal policies as applicable. Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities (Intermediaries) with the understanding, whether recorded in

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

4.7 Disclosure under Rule 11 (e) of the Companies (Audit and Auditors) Rules, 2014 (Contd.)

writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries). The Bank has not received any fund from any parties (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Funding Party (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

4.8 Fraud Accounts

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Number of frauds reported	2	-
Amount involved in fraud (₹ in crores)	0.94	-
Amount of provision made for such frauds (₹ in crores)	0.94	-
Amount of Unamortised provision debited from 'other reserves' as at the end of the year (₹ in crores)	0.62	-

4.9 Sale of Financial Asset under Securitisation/Asset Reconstruction

The Bank has not sold any financial asset to Securitisation/ Reconstruction Company for Asset Reconstruction during the year ended March 31, 2024 and March 31, 2023.

4.10 Sale/Purchase of Non-performing financial assets

The Bank has not purchased/sold any non-performing financial assets from/to other banks during the year ended March 31, 2024 and March 31, 2023.

4.11 Letter of comfort

The Bank has not issued any letter of comfort during the year ended March 31, 2024 and year ended March 31, 2023.

4.12 Credit Default Swaps

The Bank has not entered into any Credit Default Swaps (CDS) during the year ended March 31, 2024 and year ended March 31, 2023.

4.13 Divergence in the asset classification and provisioning for NPAs

For the reference year ended March 31, 2023, the Inspection & Risk Assessment was conducted by the RBI under Section 35 of Banking Regulation Act 1949. As part of the exercise, the RBI has pointed out certain divergence in respect of the Bank's asset classification and provisioning under the applicable prudential norms on income recognition, asset classification and provision. The details and impact on Profit After Tax relating to divergence between the non-performing advances reported by the Bank and as assessed by RBI as on March 31, 2023 in the format as prescribed by the RBI, are as per the table given below.

(₹ in crores)

Sr. No.	Particulars	Amount (FY23)
1	Gross NPAs as on March 31, 2023 as reported by the Bank	152.62
2	Gross NPAs as on March 31, 2023 as assessed by RBI	163.58
3	Divergence in Gross NPAs (2-1)	10.96
4	Net NPAs as on March 31, 2023 as reported by the Bank	74.05
5	Net NPAs as on March 31, 2023 as assessed by RBI	83.15
6	Divergence in Net NPAs (5-4)	9.10
7	Provisions for NPAs as on March 31, 2023 as reported by the Bank	78.58
8	Provisions for NPAs as on March 31, 2023 as assessed by RBI	80.43
9	Divergence in provisioning (8-7)	1.85
10	Reported Profit before Provisions and Contingences for the year ended March 31, 2023	148.70
11	Reported Net Profit after Tax (PAT) for the year ended March 31, 2023	93.60
12	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2023 after considering the divergence in provisioning	92.26

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

5 Exposures

5.1 Exposure to Real Estate Sector

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
1. Direct exposure		
i. Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	-	-
a. Individual Housing Loans eligible for inclusion in Priority Sector advances	536.79	536.66
b. Others	785.64	620.06
ii. Commercial Real Estate –		
Lending secured by mortgages on commercial real estate (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	335.18	305.31
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	-	-
a. Residential		
b. Commercial Real Estate	-	-
2. Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	108.83	49.94
Total Exposure to Real Estate Sector	**1766.44**	**1,511.97**

5.2 Exposure to Capital Market

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
i. direct investments in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	1.54	1.54
ii. advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds;	-	-
iii. advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv. advances for any other purpose to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-
v. secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

5.2 Exposure to Capital Market (Contd.)

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
vi. loans sanctioned to corporates against the security of shares/bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii. bridge loans to companies against expected equity flows/issues;	-	-
viii. underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;		
ix. financing to stockbrokers for margin trading;	-	-
x. all exposures to venture capital funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	**1.54**	**1.54**

5.3 Risk Category Wise Country Exposure

The Bank is operating in the state of Punjab, Union Territory of Chandigarh, Haryana, Rajasthan, Himachal and Delhi. Hence, the Bank does not have any country risk exposure.

5.4 Unsecured Advances against Intangible Assets

The Bank has not extended any advance against intangible securities such as charge over the rights, licenses, authority etc. during the year ended March 31, 2024 and March 31, 2023.

5.5 Details of factoring exposure

The factoring exposure of the Bank as at March 31, 2024 and March 31, 2023 is Nil.

5.6 Intra group exposure

The Bank has no intra group exposure during the year ended March 31, 2024 and March 31, 2023.

5.7 Unhedged Foreign currency exposure

The Bank does not have any unhedged foreign currency exposure as on March 31, 2024 and on March 31, 2023.

5.8 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

The Bank has not exceeded the prudential exposure limits for Single Borrower Limit (SBL) and Group Borrower Limit (GBL) during the year ended March 31, 2024 and March 31, 2023.

6 Concentration of Deposits, Advances, Exposures and NPAs

6.1 Concentration of Deposits

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Total Deposits of twenty largest depositors	531.43	255.34
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	7.11%	3.89%

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

6.2 Concentration of Advances

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Total Advances to twenty largest borrowers	387.10	327.67
Percentage of Advances to twenty largest borrowers to total Advances of the Bank	5.84%	5.39%

Concentration of advances has been calculated by taking the total credit exposure to the top twenty borrowers identified on the basis of the RBI circular on Exposure Norms.

6.3 Concentration of Exposures

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Total Exposure to twenty largest borrowers/customers	387.10	327.67
Percentage of Exposures to twenty largest borrowers/ customers to total Exposure of the Bank on Borrowers/ customers	5.84%	5.39%

Concentration of exposures has been calculated by taking the total credit and investment exposure to the top twenty borrowers identified on the basis of the RBI circular on Exposure Norms.

6.4 Concentration of NPAs

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Total Exposure to the top twenty NPA accounts	48.07	58.22
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	28.24%	38.15%

7 Derivatives

The Bank has not undertaken any derivative business during the year ended March 31, 2024 and March 31, 2023.

8 Securitisation transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2024 and year ended March 31, 2023.

9 Off Balance Sheet SPVs sponsored

The Bank does not hold any sponsored off-balance sheet SPVs during the year ended March 31, 2024 and March 31, 2023.

10 Transfer to Depositor Education and Awareness Fund (DEAF)

The Bank has transferred ₹ 1.64 crores during the year ended March 31, 2024 and ₹ 1.36 crores for the year ended March 31, 2023 to the Depositor Education and Awareness Fund (DEAF) as per the details below:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Opening balance of amount transferred to DEAF	6.34	5.17
Add: Amounts transferred to DEAF during the year	1.64	1.36
Less: Amounts reimbursed by DEAF towards claims	0.30	0.19
Closing balance of amounts transferred to DEAF	**7.68**	**6.34**

The balances of the amount transferred to DEA fund are included under Schedule 12- Contingent Liabilities-Other items for which the Bank is contingently liable.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

11 Segment Reporting

Segment details in compliance with AS-17 and pursuant to the Reserve Bank of India guidelines, are as under:

(₹ in crores)

Business Segments	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
Particulars	**Year ended March 31, 2024**	**Year ended March 31, 2023**	**Year ended March 31, 2024**	**Year ended March 31, 2023**	**Year ended March 31, 2024**	**Year ended March 31, 2023**	**Year ended March 31, 2024**	**Year ended March 31, 2023**	**Year ended March 31, 2024**	**Year ended March 31, 2023**
Revenue	168.62	141.60	67.14	54.19	595.70	515.03	30.95	14.67	862.41	725.48
Result	3.55	(1.97)	6.34	2.95	204.12	191.64	28.65	12.47	242.66	205.10
Unallocated Expenses									94.45	80.94
Operating Profit (PBT)									148.21	124.16
Income Taxes									36.69	30.56
Extraordinary profit/Loss	-	-	-	-	-	-	-	-	-	-
Net Profit									**111.53**	**93.60**
Other Information:										
Segment Assets	2,527.66	1,949.79	725.72	541.80	5,981.65	5,452.43	4.41	0.57	9,239.45	7,944.59
Unallocated Assets									55.83	46.19
Total Assets									9,295.28	7,990.77
Segment Liabilities	-	29.98	541.60	146.08	7,258.39	6,938.02	0.32	-	7,800.31	7,114.08
Unallocated Liabilities									297.55	266.08
Total Liabilities									**8,097.86**	**7,380.16**

Note:

i. The Bank is operating in domestic segment, so there is only one geographic segment.

ii. Inter Segment transactions are based on transfer pricing as determined by the management consent.

12 Related Party Disclosure

12.1 Related parties as per Accounting Standard 18

Key Management Personnel:

a. Mr. Sarvjit Singh Samra – Managing Director

b. Mr. Munish Jain – Executive Director & Chief Financial Officer

c. Mr. Amit Sharma – Company Secretary

d. Mr. S.K. Dhawan – Head of Credit (KMP from October 22, 2021 to February 09, 2023)

e. Mrs. Richa Mahajan – Chief Compliance Officer (KMP from October 22, 2021 to February 09, 2023)

f. Mr. Raghav Aggarwal – Chief Risk Officer (KMP from October 22, 2021 to February 09, 2023)

Relatives of Key Management Personnel:

a. **Mr. Sarvjit Singh Samra:** Mr. Amarjit Singh Samra, Mr. Amardeep Samra, Mrs. Surinder Kaur Samra, Mrs. Navneet Samra, Mrs. Amarpreet Kaur Hayer, Mr. Shahbaz Singh Samra, Mr. Sangram Singh Samra and Sarvjit Singh Samra HUF.

b. **Mr. Munish Jain:** Mr. Kimti Lal Jain, Mr. Vishal Jain, Mrs. Usha Jain, Mrs. Ruchi Jain, Mrs. Ritu Jain, Mr. Aagam Jain, Mr. Gaurish Jain and Munish Jain HUF.

c. **Mr. Amit Sharma:** Mr. Mangal Chand Sharma, Mrs. Bimla Sharma, Mrs. Gitika Sharma, Mr. Kunal Sharma, Ms. Amayra Sharma, Mrs. Poonam Sharma, Mrs. Seema Sharma, Mr. Ajay Sharma and Mrs. Sheetal Sharma.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

12.1 Related parties as per Accounting Standard 18 (Contd.)

d. **Mr. S.K. Dhawan:** Mrs. Jeewan Asha, Mrs. Sujata Dhawan, Mrs. Rajni Dhawan, Mr. Vijay Kumar Dhawan, Mr. Ashwani Kumar Dhawan, Mr. Arun Kumar Dhawan and Mr. Anil Kumar Dhawan.

e. **Mrs. Richa Mahajan:** Mr. Gaurav Mahajan, Mr. Arnav Mahajan, Miss Arshia Mahajan, Mrs. Neelam Sehgal, Mr. R.K. Sehgal and Mr. Akhil Sehgal.

f. **Mr. Raghav Aggarwal:** Mr. Sunil Aggarwal, Mrs. Indu Aggarwal, Mrs. Himani Mittal and Mr. Karan Aggarwal

Associates/ Joint Ventures/ Others:

a. Capital Foundation Trust

The significant transactions (wherever it exceeds 10% of all related party transactions in that category) between the Bank and related parties for year ended March 31, 2024 are given below:

1. Interest paid includes (a) ₹ 0.10 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.16 crores paid to Mr. Munish Jain (c) ₹ 0.08 crores paid to Mrs. Ruchi Jain;
2. Interest received includes ₹ 0.02 crores received from Mr. Amit Sharma;
3. Leasing includes (a) ₹ 0.51 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.51 crores paid to Mrs. Surinder Kaur Samra (c) ₹ 0.51 crores paid to Mr. Sarvjit Singh Samra (d) ₹ 0. 51 crores paid to Mr. Amardeep Singh Samra (e) ₹ 0.25 crores paid to Mrs. Navneet Kaur Samra;
4. Salary paid includes (a) ₹ 1.75 crores paid to Mr. Munish Jain (b) ₹ 1.45 crores paid to Mr. Sarvjit Singh Samra; and
5. CSR Expense/Contribution includes ₹ 1.77 crores paid to Capital Foundation.

The significant transactions (wherever it exceeds 10% of all related party transactions in that category) between the Bank and related parties for year ended March 31, 2023 are given below:

1. Interest paid includes (a) ₹ 0.07 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.14 crores paid to Mr. Munish Jain (c) ₹ 0.08 crores paid to Mrs. Ruchi Jain;
2. Interest received includes (a) ₹ 0.02 crores received from Mr. Amit Sharma (b) ₹ 0.02 crores from Mr. Raghav Aggarwal (c) ₹ 0.01 crores from Mr. Santosh Kumar Dhawan;
3. Leasing includes (a) ₹ 0.48 crores paid to Mr. Amarjit Singh Samra (b) ₹ 0.48 crores paid to Mrs. Surinder Kaur Samra (c) ₹ 0.48 crores paid to Mr. Sarvjit Singh Samra (d) ₹ 0.48 crores paid to Mr. Amardeep Singh Samra (e) ₹ 0.24 crores paid to Mrs. Navneet Kaur Samra;
4. Salary paid includes (a) ₹ 1.68 crores paid to Mr. Munish Jain (b) ₹ 1.71 crores paid to Mr. Sarvjit Singh Samra; and
5. CSR Expense/Contribution includes ₹ 1.15 crores paid to Capital Foundation.

12.2 The balances payable to/receivable from the related parties of the Bank as on March 31, 2024 are given below:

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2024	-	-	-	0.89	1.81	2.70
	March 2023	-	-	-	0.89	2.00	2.89
Deposits	March 2024	-	-	2.88	0.71	5.06	8.65
	March 2023	-	-	1.67	1.45	5.31	8.43
Placement of Deposits	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Advances	March 2024	-	-	-	0.38	-	0.38
	March 2023	-	-	-	0.73	0.02	0.75

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

12.2 The balances payable to/receivable from the related parties of the Bank as on March 31, 2024 are given below: (Contd.)

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Investments	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Non funded commitments	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Leasing / HP arrangements availed	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Leasing / HP arrangements provided	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-

12.3 The maximum balances payable to/receivable from the related parties of the Bank for the year ended March 31, 2024 are given below:

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings	March 2024	-	-	-	0.89	1.81	2.70
	March 2023	-	-	-	0.89	2.02	2.91
Deposits	March 2024	-	-	3.39	2.63	11.10	17.12
	March 2023	-	-	1.90	2.52	7.89	12.31
Placement of Deposits	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Advances	March 2024	-	-	-	0.66	-	0.66
	March 2023	-	-	-	1.21	0.05	1.27
Investments	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Non-funded commitments	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Leasing/ HP arrangements availed	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Leasing/ HP arrangements provided	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-

For a person being a KMP for the year or part thereof, the consideration paid during the complete financial year has been disclosed.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

12.4 The details of transactions of the Bank with its related parties during the year ended March 31, 2024 are given below:

(₹ in crores)

Items/ Related Party		Parent	Subsidiary	Associates/ Joint Ventures/ Others	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of fixed assets	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Sale of fixed assets	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
Interest paid	March 2024	-	-	0.03	0.17	0.50	0.70
	March 2023	-	-	0.00	0.17	0.47	0.65
Interest received	March 2024	-	-	-	0.02	-	0.02
	March 2023	-	-	-	0.05	0.00	0.05
Receiving of Services -Leasing	March 2024	-	-	-	0.51	1.77	2.28
	March 2023	-	-	-	0.48	1.68	2.16
Receiving of Services -Salary	March 2024	-	-	-	3.34	0.27	3.61
	March 2023	-	-	-	4.30	0.25	4.55
Management Contracts	March 2024	-	-	-	-	-	-
	March 2023	-	-	-	-	-	-
CSR Expense/ Contribution	March 2024	-	-	1.77	-	-	1.77
	March 2023	-	-	1.15	-	-	1.15

Notes:

1. Salary Paid shown above includes basic salary, allowances, performance bonus and taxable value of perquisites, if availed, computed as per Income. Tax rules but excludes gratuity, PF settlement, perquisite on ESOPs & superannuation perquisites.
2. For a person being a KMP for the year or part thereof, the consideration paid during the complete financial year has been disclosed.

13 Leases

Operating Leases

The Bank has commitments under long term non-cancellable operating leases primarily for premises. The terms of renewal and escalation clauses are those normally prevalent in the agreements of similar nature. Following is the summary of future minimum lease rental commitments for such non-cancellable operating leases:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Not later than one year	0.72	0.80
Later than One year and not later than five years	1.97	2.27
Later than five years	3.78	4.21
Total Minimum Lease Rental Commitments	**6.47**	**7.27**

Total lease rental expenditure under cancellable and non-cancellable operating leases debited to Profit & Loss Account during the year ended March 31, 2024 is ₹ 19.86 crores and during the year ended March 31, 2023 was ₹ 18.03 crores.

Finance Lease

The Bank has not taken any asset under finance lease during the year ended March 31, 2024 and March 31, 2023.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

14 Earnings Per Share

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Net profit after tax available for equity shares (₹ in crores)	111.53	93.60
Weighted average number of equity shares	3,63,87,519	3,42,23,457
Weighted average number of equity shares for diluted earnings	3,66,27,325	3,43,99,201
Basic Earnings per share (₹)	30.65	27.35
Diluted Earnings per share (₹)	30.45	27.21
Face Value per share (₹)	10.00	10.00

15 Disclosure of Complaints

15.1 Customer Complaints pertaining to Retail Payment Channels

(including RTGS/NEFT, Automated Teller Machine (ATM)/Point of Sale (POS) Transactions/Ecommerce Transactions, BBPS, IMPS, etc.)

S.No.	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
	Complaints received by bank from its customers		
1	Number of complaints pending at beginning of the year	13	11
2	Number of complaints received during the year*	2853	1,305
3	Number of complaints disposed during the year	2849	1,303
3.1	*Of which, number of complaints rejected by the bank*	1202	484
4	Number of complaints pending at the end of the year	17	13
	Maintainable complaints received by the Bank from the OBOs		
5	Number of maintainable complaints received by the Bank from OBOs	6	10
5.1	*Of 5, number of complaints resolved in favour of the bank by OBOs*	3	7
5.2	*Of 5, number of complaints resolved through conciliation/ mediation/ advisories issued by Bos*	3	3
5.3	*Of 5, number of complaints resolved after passing of Awards by BOs against the bank*	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

*Out of the above complaints, 2537 complaints (1,212 previous year) are related to acquiring banks.

15.2 Customer Complaints other than above

S.no.	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
	Complaints received by bank from its customers		
1	Number of complaints pending at beginning of the year	2	5
2	Number of complaints received during the year	188	199
3	Number of complaints disposed during the year	185	202
3.1	*Of which, number of complaints rejected by the bank*	90	52
4	Number of complaints pending at the end of the year	5	2
	Maintainable complaints received by the Bank from the OBOs		
5	Number of maintainable complaints received by the Bank from OBOs	19	11
5.1	*Of 5, number of complaints resolved in favour of the bank by BOs*	10	4
5.2	*Of 5, number of complaints resolved through conciliation/ meditation/ advisories issued by Bos*	8	6
5.3	*Of 5, number of complaints resolved after passing of Awards by BOs against the bank*	-	-
6	Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

15.3 Top 5 grounds of Complaints received by the Bank

During the year ended March 31, 2024

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Ground - 1 Internet/Mobile/ Electronic Banking	8	2491*	182.11%	16	-
Ground - 2 ATM/Debit Cards	7	378*	(10.21)%	1	-
Ground - 3 Account Opening/ Difficulty in operation of accounts	-	47	9.30%	1	-
Ground - 4 Loans and Advances	-	20	(59.18)%	-	-
Ground - 5 Levy of charges without prior notice/ Excessive charges/ Foreclosure Charges	-	12	(47.83)%	-	-
Others (Complaints not covered in above top 5 grounds)	-	93	9.41%	4	-
Total	**15**	**3041**	**102.19%**	**22**	**-**

* 2,537complaints are related to acquiring banks

During the year ended March 31, 2023

Grounds of complaints (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Ground - 1 Internet/Mobile/ Electronic Banking	8	883*	(2.75)%	8	-
Ground - 2 ATM/Debit Cards	5	421*	(23.59)%	7	-
Ground - 3 Loans and Advances	2	49	(15.51)%	-	-
Ground - 4 Account Opening/ Difficulty in operation of accounts	-	43	30.30%	-	-
Ground - 5 Levy of charges without prior notice/ Excessive charges/ Foreclosure Charges	-	23	(42.50)%	-	-
Others (Complaints not covered in above top 5 grounds)	1	85	(41.78)%	-	-
Total	**16**	**1,504**	**(13.36)%**	**15**	**-**

* 1,212 complaints are related to acquiring banks

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

15.4 Awards Passed by the Banking Ombudsman

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
No of Unimplemented Awards at the beginning of the year	-	-
No. of Awards passed by the Banking Ombudsmen during the year	-	-
No. of Awards implemented during the year	-	-
No. of Unimplemented Awards at the end of the year	-	-

16 Disclosure of Penalties Imposed by the RBI

There has been no penalty imposed by the Reserve Bank of India on the Bank except that of ₹ 0.02 crores during the year ended March 31, 2024 (₹ 0.06 crores during the year ended March 31, 2023) for non-replenishment of ATMs in terms of RBI circular no. RBI/2021-22/84 DCM (RMMT) No. S153/11.01.01/2021-22 on Monitoring of Availability of Cash in ATMs dated August 10, 2021.

17 Remuneration

17.1 Qualitative Information with reference to Whole Time Directors / Managing Director & Chief Executive Officer/Material Risk Takers (MRT)

i) Nomination and Remuneration Committee

The Bank has constituted Nomination and Remuneration Committee (NRC) for overseeing and governing the compensation polices of the Bank. The committee oversees the framing, review and implementation of compensation policy of the Bank on behalf of the Board for Managing Director & Chief Executive Officer, Whole Time Directors & Material Risk Takers.

The Committee has four members including three members from Risk Management Committee of the Board. The majority of the members of the committee are independent non-executive Directors. As on March 31, 2024 the Committee consists of the following Members:

- Mr. Kamaldeep Singh Sangha, Chairman
- Mr. Dinesh Gupta, Member
- Mr. Gurpreet Singh Chug, Member
- Mr. Sham Singh Bains, Member

ii) Philosophy and Key Objectives

The Compensation Policy ("the Policy") of the Bank aims at the Bank's philosophy to recruit, motivate, reward and retain employees who believe in, and live by, our culture and values. The Bank endeavours to encourage entrepreneurship by creating a working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Bank. The key objectives of the Policy are:

- To support the organisation's strategy by helping to build a competitive, high performance and innovative company with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees;
- To promote the achievement of strategic objectives within the Company's risk appetite;
- To promote / support positive outcomes across the economic and social context in which the Company operates and
- To promote an ethical culture and responsible corporate citizenship.
- To ensure that the remuneration of "MD & CEO", "Whole Time Directors" & Material Risk Takers is fair and reasonable in the context of overall Bank's remuneration.
- Adherence to principles of good corporate governance, as depicted in "best practice" and regulatory frameworks.
- Make a clear distinction between levels of accountability and pay package.

iii) Fixed Pay

The fixed pay is the base element of the remuneration that reflects the employee's role or position in the Bank and is payable for doing the expected job, including but not limited to basic salary, statutory bonus, allowances, perquisites, profit in lieu of salary and any other component paid, measured on the cost to company basis. Guaranteed remuneration is paid on monthly basis and is normally benchmarked against the financial services market and is aligned to the expected operational performance.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

17.1 Qualitative Information with reference to Whole Time Directors / Managing Director & Chief Executive Officer/Material Risk Takers (MRT) (Contd.)

iv) **Variable Pay**

The variable pay is the reward element of the remuneration, focused to create a performance culture in the Bank, is payable as a reward to individuals or teams for achieving strong results in terms of pre-determined goals. The variable remuneration of an employee(s) can be short term or long term depending upon the category of the employee(s): (1) Short Term Variable Remuneration is paid on not greater than yearly frequency on the basis of performance based scorecard or individual employee rating; or/and (2) Long Term Variable Remuneration is paid on more than annual frequency on the basis of longevity and long-term performance of the employee in the form of ESOPs only (including Cash Linked Stock Appreciation Rights).

- The variable pay should be:
  - Atleast 100% but not more than 200% of the fixed pay in case of Managing Director and CEO and Whole Time Director or as approved by the Reserve Bank of India;
  - Atleast 50% but not more than 70% (earlier 60%) of the fixed pay for executive overseeing one business line and atleast 75% (earlier 50%) but not more than 125% (earlier 70%) of the fixed pay for executive overseeing more than one business line in case of other MRTs.
- Out of above, 50% of the variable pay should be via non cash instruments. In case, any of the executive, is barred by statute or regulation from grant of Share-linked Instruments, the whole amount can be paid via cash.
- Within the said range and as per the above ceiling, the NRC decides the short term variable pay %age for the period keeping in the view the various factors including but not limited to present and prospective capital position, market dynamics and risk position of the Bank.
- The variable pay is linked with the performance of the executive and performance of the Bank during the Period and accordingly the performance measurement is done basis various key performance indicators including:
  - Individual Rating;
  - Profitability Achievement;
  - Business Growth Achievement;
  - Credit Risk (NPA position, SMA 2 position);
  - Market Risk (LCR, Duration gap Analysis);
  - Solvency Risk (Leverage Ratio, Capital Adequacy Ratio)
- A minimum of 60% of the total variable pay (including at least 50% of the cash component if cash component is ₹ 25 lakhs or more), is deferred over a period of 3 years. Further, in case of various events, the deferred compensation is subject to the malus arrangement.

v) **Guaranteed Bonus**

The Bank does not allow any guaranteed bonus except bonus payable under the Payment of Bonus Act. Further, the Joining/Signing bonus is permissible in the context of hiring of executive in the form of ESOPs only and be limited to the first Period. Further, the Bank will not grant severance pay other than accrued benefits (gratuity, retiral benefits, etc.) except in case where it is mandatory by any statute.

vi) **Hedging**

The Bank does not provide any facility or funds or permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

17.2 Quantitative Information with reference to Whole Time Directors/Managing Director & Chief Executive Officer/Material Risk Takers

S. No.	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
A	Number of meetings held by the Remuneration Committee during the period and remuneration paid to its members.	Number of Meetings: 5 The NRC members were paid total sitting fees of ₹ 0.02 crores for 5 meetings.	Number of Meetings: 6 The NRC members were paid total sitting fees of ₹ 0.02 crores for 6 meetings.
B.1	Number of employees having received a variable remuneration award during the period.	2	2
B.2	Number and total amount of sign-on awards made during the period.	-	-
B.3	Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
B.4	Details of severance pay, in addition to accrued benefits, if any.	-	-
C.1	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Total amount of deferred remuneration as on March 31, 2024 (cumulative including the previous year remuneration) is • Cash incentive ₹ 0.67 crores; and • No. of Employee Stock Options 6,417. Further, Options equivalent to ₹ 0.48 crores are due.	Total amount of deferred remuneration as on March 31, 2023 (cumulative including the previous year remuneration) is • Cash incentive ₹ 1.35 crores; and • No. of Employee Stock Options 46,008
C.2	Total amount of deferred remuneration paid out in the period.	• Cash incentive ₹ 0.22 crores; and • No. of Employee Stock Options vested 12,850	• Cash incentive ₹ 0.13 crores; and • No. of Employee Stock Options vested 6,417
D	Breakdown of amount of remuneration awards for the period to show fixed and variable, deferred and non-deferred.	• Fixed pay ₹ 2.70 crores • Variable pay (cash) ₹ 0.97 crores for FY24 out of which ₹ 0.54 crores is deferred. • Variable pay (ESOPs to MRT) equivalent to ₹ 0.48 crores out of which 100% options are deferred. The variable remuneration payable to MD & CEO and WTD shall be paid subject to approval from the RBI.	• Fixed pay ₹ 2.52 crores • Variable pay (cash) ₹ 1.08 crores for FY23 out of which ₹ 0.60 crores is deferred. • Variable pay (ESOPs to MRT) 13,875 options out of which 100% options are deferred. The variable remuneration payable to MD & CEO shall be paid subject to approval from the RBI.
E.1	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	Total amount of deferred remuneration as on March 31, 2024 (cumulative including the previous year remuneration) is • Cash incentive ₹ 0.67 crores; and • No. of Employee Stock Options 6,417. Further, Options equivalent to ₹ 0.48 crores are due.	Total amount of deferred remuneration as on March 31, 2023 (cumulative including the previous year remuneration) is • Cash incentive ₹ 1.35 crores; and • No. of Employee Stock Options 46,008

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

17.2 Quantitative Information with reference to Whole Time Directors/Managing Director & Chief Executive Officer/Material Risk Takers (Contd.)

S. No.	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
E.2	Total amount of reductions during the period due to ex- post explicit adjustments.	-	-
E.3	Total amount of reductions during the period due to ex- post implicit adjustments.	-	-
F	Number of MRTs identified	2	2
G.1	Number of cases where malus has been exercised.	2	-
G.2	Number of cases where claw back has been exercised.	-	-
G.3	Number of cases where both malus and claw back have been exercised.	-	-
H	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	The mean pay of the Bank as a whole (excluding sub-staff) is ₹ 0.06 crores. The deviation in the pay for Mr. Sarvjit Singh Samra, MD & CEO and Mr. Munish Jain, WTD from the mean pay is 23 times and 28 times respectively.	The Bank does not have any WTD other than MD.

18 Disclosure on remuneration to Non-Executive Directors

Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees during the year ended March 31, 2024 amounted to ₹ 0.43 crores and ₹ 0.28 crores during the year ended March 31, 2023.

Further, during the current year, the Bank has paid the remuneration amounting to ₹ 0.71 crores and ₹ 0.54 crores during the year ended March 31, 2023 to the Non-Executive Directors.

19 Accounting for employee share-based payments

19.1 The Bank has following ESOP plans-

Capital Small Finance Bank Limited – Employees Stock Option Plan 2018 ("CSFB ESOP 2018") was approved by the shareholders of the Bank, in the Annual General Meeting held on August 18, 2018 amended further on October 22, 2021, for granting equity stock options to its employees and directors (other than independent directors).

Capital Small Finance Bank Limited – Employees Stock Option Plan for Material Risk Takers ("CSFB ESOP for MRTs") was approved by the shareholders of the Bank on July 11, 2020 (amended further on October 22, 2021), for granting equity stock options to its material risk takers.

Capital Small Finance Bank Limited –Employees Stock Option Plan 2023 ("CSFB ESOP 2023") was approved by the shareholders of the Bank, in Extraordinary General Meeting of the Bank held on May 12, 2023, for granting equity stock options to its employees and directors (other than independent directors).

19.2 The stock options will be equity settled.

19.3 The accounting for stock options is in accordance with the Guidance Note on Accounting for Share-based Payments issued by the Institute of Chartered Accountants of India.

19.4 The Nomination and Remuneration Committee of the Bank is empowered to administrate, implement and superintend the plan. Its powers include determination of eligible employees, determine the parameters for grant of options, vesting conditions, determination of exercise period, among others.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

19.5 The details of the scheme are as under:

Scheme	Grant	Date of Grant	Vesting	Exercise Period	Exercise Price per option	Method of Settlement
CSFB ESOP 2018	Tranche 1	April 30, 2019	Graded Vesting: April 30, 2020- 25% April 30, 2021- 30% April 30, 2022- 45%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP for MRTs	Tranche 1	April 30, 2021	Graded Vesting: April 30, 2022- 33.33% April 30, 2023- 33.33% April 30, 2024- 33.33%	Twelve months from the date of vesting	₹ 10	Equity
CSFB ESOP 2018	Tranche 2	July 15, 2021	Sep 30, 2023- 100%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP 2018	Tranche 3	September 01, 2021	Aug 31, 2024- 100%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP for MRTs	Tranche 2	April 30, 2022	Graded Vesting: April 30, 2023- 33.33% April 30, 2024- 33.33% April 30, 2025- 33.33%	Twelve months from the date of vesting	₹ 10	Equity
CSFB ESOP 2018	Tranche 4	June 15, 2022	August 31, 2024- 100%	Twelve months from the date of vesting	₹ 98	Equity
CSFB ESOP for MRTs	Tranche 3	April 30, 2023	Graded Vesting: April 30, 2024- 33.33% April 30, 2025- 33.33% April 30, 2026- 33.33%	Twelve months from the date of vesting	₹ 10	Equity
CSFB ESOP 2023	Tranche 1	September 15, 2023	Graded Vesting: September 30, 2025-40% September 30, 2026-60%	Twelve months from the date of vesting	₹ 171	Equity

19.6 Activity in the options outstanding-

Under the CSFB ESOP 2018 plan-

Particulars	March 31, 2024 (Number of Options)	March 31, 2023 (Number of Options)
Options outstanding, beginning of the year	3,97,893	5,72,439
Granted during the year	-	76,000
Exercised during the year	1,04,132	2,01,946
Forfeited / Lapsed during the year	38,761	48,600
Options outstanding, end of the year	2,55,000	3,97,893
Options exercisable	23,000	54,893

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

19.6 Activity in the options outstanding- (Contd.)

Under CSFB ESOP for MRTs-

Particulars	March 31, 2024 (Number of Options)	March 31, 2023 (Number of Options)
Options outstanding, beginning of the year	32,133	19,251
Granted during the year	13,874	19,299
Exercised during the year	12,850	6,417
Forfeited / Lapsed during the year	26,740	-
Options outstanding, end of the year	6,417	32,133
Options exercisable	-	-

Under CSFB ESOP 2023 –

Particulars	Year ended March 31, 2024 (Number of Options)
Options outstanding, beginning of period	-
Granted during the period	6,82,000
Exercised during the period	-
Forfeited/ Lapsed during the period	12,000
Options outstanding, end of period	6,70,000
Options exercisable	-

19.7 The below table shows the fair value of options and inputs considered for calculating them as per the Black Scholes method:

Particulars	CSFB ESOP 2018 (Tranche 1)	CSFB ESOP 2018 (Tranche 2)	CSFB ESOP 2018 (Tranche 3)	CSFB ESOP 2018 (Tranche 4)
Date of grant	April 30, 2019	July 15, 2021	Sept 01, 2021	June 15, 2022
Fair value of option (₹)	132.17	181.18	185.29	222.93
Risk-free interest rate (%)	6.65%-6.99%	5.06%	5.14%	6.89%
Expected life (years)	1.50-3.50 years	2.71 years	3.50 years	2.71 years
Expected volatility (%)	31.53%-33.01%	44.03%	41.80%	43.67%
Expected dividend rate (%)	0%	0%	0%	0%

Particulars	CSFB ESOP for MRTs (Tranche 1)	CSFB ESOP for MRTs (Tranche 2)	CSFB ESOP for MRTs (Tranche 3)
Date of grant	April 30, 2021	April 30, 2022	April 30, 2023
Fair value of option (₹)	255.04	294.14	361.29
Risk-free interest rate (%)	4.13%-5.15%	4.96%-6.20%	6.79%-6.86%
Expected life (years)	1.50-3.50 years	1.50-3.50 years	1.50-3.50 years
Expected volatility (%)	42.07%-50.86%	44.64%-50.72%	37.20% - 46.14%
Expected dividend rate (%)	0%	0%	0%

Particulars	CSFB ESOP 2023 (Tranche 1)
Date of grant	September 15, 2023
Fair Value of option (₹)	239.99
Risk-free interest rate (%)	7.04%-7.07%
Expected life (years)	2.54-3.54 years
Expected volatility (%)	38.49%-44.98%
Expected dividend rate (%)	0%

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

19.8 The RBI vide its clarification dated August 30, 2021 on guidelines on compensation of whole-time directors/chief executive officers/material risk takers and control function staff, advised banks that the fair value of the share linked instruments on the date of grant should be recognised as an expense for all instruments granted after the period ending March 31, 2021. Accordingly, the Bank measures the cost of ESOP using the fair value method for stock options granted post March 31, 2021 including grant to the Material Risk Takers as a part of their variable compensation and uses the intrinsic value method for stock options granted prior to the said period.

Had the Bank used the fair value method to determine compensation for the grant made before March 31, 2021, there would have been nil incremental cost during the year ended March 31, 2024 and March 31, 2023

20 Staff Retirement Benefits

20.1 Reconciliation of opening and closing balance of the present value of the defined benefit obligation for the gratuity benefit of the Bank is as below:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Defined benefit obligation liability		
Opening Obligations	8.49	7.35
Service Cost	1.12	1.09
Interest Cost	0.63	0.53
Actuarial (Gain)/Loss	(0.01)	(0.21)
Liabilities extinguished on settlement	-	-
Benefits Paid	(1.09)	(0.27)
Obligations at last date of the year	**9.14**	**8.49**
Plan Assets at fair value		
Opening Plan Assets, at fair value	8.59	7.45
Expected return on plan assets	0.63	0.52
Actuarial Gain/(Loss)	0.56	(0.03)
Assets distributed on settlement		
Contributions	0.50	0.92
Benefits Paid	(1.09)	(0.27)
Plan Assets at fair value at last date of the year		
Fair Value of Plan Assets at the end of the year	9.19	8.59
Present Value of the defined benefit obligation at the end of the year	9.14	8.49
Asset/(Liability) at last date of the year	**0.05**	**0.10**
Experience adjustments on Plan Liabilities	0.27	0.06
Experience adjustments on Plan Assets	0.56	(0.03)
Cost for the year		
Service Cost	1.12	1.09
Interest Cost	0.63	0.53
Expected Return on Plan Assets	(0.63)	(0.52)
Actuarial (Gain)/Loss	(0.57)	(0.18)
Net Cost	**0.55**	**0.92**
Investment details of Plan Assets		
Plan assets are invested in insurer managed funds.		
Assumptions		
Discount Rate	7.17%	7.39%
Salary escalation rate	5.00%	5.00%
Estimated rate of return on plan assets	7.17%	7.39%

The estimate of salary growth rate takes into account inflation, market dynamics, seniority, promotion and other relevant factors on long-term basis.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

20 Staff Retirement Benefits (Contd.)

Experience adjustment:

(₹ in crores)

Particulars	Year Ended				
	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020
Plan Assets	9.19	8.59	7.45	6.48	5.43
Defined benefit obligation	9.14	8.49	7.35	6.45	5.31
Surplus/(Deficit)	**0.05**	**0.10**	**0.10**	**0.03**	**0.12**
Experience adjustment gain / (loss) on plan assets	0.56	(0.03)	(0.13)	0.30	0.11
Experience adjustment gain / (loss) on plan liabilities	0.27	0.06	(0.19)	(0.18)	(0.25)

20.2 The actuarial liability of compensated absences of accumulated earned and sick leaves of the employees of the Bank is as below:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Earned Leaves	5.63	5.11
Sick Leaves	1.42	1.27
Total Actuarial Liability	**7.05**	**6.38**
Assumptions		
Discount Rate	7.17%	7.39%
Salary Escalation Rate	5.00%	5.00%

The estimate of salary growth rate takes into account of inflation, market dynamics, seniority, promotion and other relevant factors on long-term basis.

20.3 Liability towards Unamortised Pension

The Bank does not have any unamortised liability against pension during the year ended March 31, 2024 and year ended March 31, 2023.

20.4 The Code on Social Security, 2020

The Code on Social Security 2020 ('the Code') relating to employee benefits during employment and post-employment benefits has received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Bank will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective.

21 Business Ratios

	Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
i.	Interest Income as a percentage to Working Funds*	9.08%	8.79%
ii.	Non-interest income as a percentage to Working Funds*	0.78%	0.64%
iii.	Cost of Deposits	5.61%	4.90%
iv.	Net Interest Margin##	3.94%	4.19%
v.	Operating Profit** as a percentage to Working Funds*	1.77%	1.93%
vi.	Return on Assets@	1.27%	1.22%
vii.	Business (Deposits plus advances) # per employee^ (₹ in crores)	7.24	6.92
viii.	Profit per employee (Operating Profit)^ (₹ in crores)	0.08	0.09

Notes:

**Working funds have been reckoned as average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.*

***Operating profit is the net profit for the year before provisions and contingencies.*

@ Return on Assets is calculated with reference to monthly average working funds (Working funds taken as total of assets excluding accumulated losses, if any).

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

21 Business Ratios (Contd.)

 # For the purpose of computation of business per employee business is calculated by adding deposits and advances excluding inter-bank deposits.

^ Productivity ratios are based on average number of employees.

Net Interest Margin has been computed based on the Net Interest income (Interest Income – Interest Expense) and average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the year.

22 Bancassurance Business

(₹ in crores)

Fee/remuneration received	For the year ended March 31, 2024	For the year ended March 31, 2023
1. Life insurance	19.06	7.95
2. General Insurance	7.70	2.98

23 Marketing and Distribution

(₹ in crores)

Fee/remuneration received	For the year ended March 31, 2024	For the year ended March 31, 2023
Marketing and Distribution	-	-

24 Details of Priority Sector Lending Certificates (PSLC)

(₹ in crores)

Type of PSLC	Year ended March 31, 2024		Year ended March 31, 2023	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	500.00	-	500.00
Small and Marginal Farmers	785.00	-	535.00	-
Micro enterprises	-	-	-	-
General	-	-	-	-
Total	**785.00**	**500.00**	**535.00**	**500.00**

25 Provisions and Contingencies

The break-up of the provisions and contingencies included in profit and loss account is given hereunder:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Provisions towards Taxes#	36.69	30.56
Provisions towards Standard Assets	1.18	1.98
Provision towards Non-performing Advances	5.50	22.57
Total	**43.37**	**55.11**

#Details of Provisions towards Taxes

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Income Tax	36.22	31.72
Deferred Tax	0.47	(1.16)

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

26 Deferred Tax Asset/Liability

Other Assets include deferred tax asset of an amount equal to ₹ 7.50 crores for the year ended March 31, 2024 and ₹ 7.97 crores for the year ended March 31, 2023 as detailed below:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Deferred Tax Assets	**10.35**	**9.76**
Loan Loss Provisions	7.16	7.12
Others	3.19	2.64
Deferred Tax Liabilities	**2.85**	**1.79**
Special Reserve under section 36(i)(viii)	2.85	1.79
Deferred Tax Liabilities/(Assets) (Net)	(7.50)	(7.97)

27 Status of Ind AS Implementation

As per RBI circular RBI/2015 -16/315 DBR.BP.BC. No.76/21.07.001/2015-16 dated February 11, 2016 Implementation of Indian Accounting Standards (Ind AS), Banks are advised that scheduled commercial banks (excluding RRBs) shall follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the RBI in this regard. Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard and the Bank is submitting Proforma Ind AS Financial Statements to the RBI on regular basis.

28 Payment of DICGC Insurance Premium

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Payment of DICGC Insurance Premium	8.05	7.31
Arrears in payment of DICGC premium	-	-

29 Use of Funds Raised from Green Deposits

The Bank has not raised any funds from green deposits during the year ended March 31, 2024 and March 31, 2023.

30 Disclosure under the Micro, Small And Medium Enterprises Development Act, 2006

On the basis of information and records available with the management and confirmation sought by the management from suppliers on their registration with the specified authority under MSMED, there have been no reported cases of delay in payments to Micro, Small and Medium Enterprises or of interest payments due to delay in such payments.

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
a) Principal amount due to suppliers under MSMED Act, 2006	-	-
b) Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
c) Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
d) Interest paid to suppliers under MSMED Act (Section 16)	-	-
e) Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
f) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned in (e) above)	-	-

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

31 Corporate Social Responsibility

- Gross amount required to be spent by the Bank and as approved by the Board, during the year ended March 31, 2024 is ₹ 1.77 crores (previous year ₹ 1.15 crores)
- Amount of expense recognised as an expense in the profit and loss account on CSR related activities and contributed to Capital Foundation during the year ended March 31, 2024 is ₹ 1.77 crores (previous year ₹ 1.15 core) which comprises of following:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Construction / acquisition of any asset	-	-
On purposes other than (i) above	1.77	1.15

Out of the above amount of ₹ 1.77 crores transferred to Capital Foundation, the unspent amount of ₹ 1.72 crores has been transferred to a separate bank account on behalf of the Bank, to be utilised towards on-going projects/ programme(s) in line with the provisions of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

32 Description of Contingent Liabilities

Particulars	Description
Claims against the bank not acknowledged as debts	Includes amount created for taxation matter in respect of which appeal is pending. The Bank expects the outcome of the appeal to be favourable, based on decisions on similar issues in the previous years by the appellate authorities.
Guarantees given on behalf of constituents in India.	As a part of its commercial banking activities, the Bank issues bank guarantees on behalf of its customers.
Acceptances, endorsements and other obligations.	Includes Letters of credit issued on behalf of the customers that enhances the credit standing of the Bank's customers.
Other items for which Bank is contingently liable.	Includes capital commitments and amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

33 Investor Education and Protection Fund

There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Bank.

34 Details of Other Heads exceeding 1%

34.1 Other Expenditure includes below expense that exceed 1% of the total income of the Bank:

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Other Expenditure		
Security Service	17.74	5.55*
Priority Sector Lending Certificate	11.65	3.87*

*The value has been disclosed for comparative purpose. However, it does not exceed 1% of the total income of the Bank.

34.2 Miscellaneous Income does not include any income that exceed 1% of the total income of the Bank for the year ended March 31, 2024 and March 31, 2023

34.3 Other Liabilities and Provisions – Others (including Provisions) and Other Assets-Others does not include any item that exceeds 1% of the total assets of the Bank as on March 31, 2024 and as on March 31, 2023

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

35 Payment to the Auditors

(₹ in crores)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Audit Fees	0.96	0.51
Certificate Fees & fee for other services	0.09	0.08
Out of Pocket Expenses	0.18	0.05

Notes:

- The Audit fees includes ₹ 0.45 crores paid to auditors other than the statutory auditors
- Audit fees includes ₹ 0.24 crores and Certificate Fees & fee for other services includes ₹ 0.02 crores paid to previous statutory auditors.

36 Change in accounting estimate

During the year ended March 31, 2024, there has been no change in accounting estimate. However, during the year ended March 31, 2023, the Bank has revised the estimated useful life of Office Equipment and Automated Teller Machines (ATMs). Depreciation on these assets has been charged prospectively over the revised useful life of assets. Consequently, depreciation charged has been increased by ₹ 5.08 crores and profit after tax for the period ended March 31, 2023 was lower by ₹ 3.83 crores.

37 Comparative Figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our report of even date

For **SCV & Co. LLP**
Chartered Accountants
FRN: 000235N/N500089

Sunny Singh
Partner
Membership No. 516834

Date: May 09, 2024
Place: Noida

For and on behalf of The Board of
Capital Small Finance Bank Limited

Sarvjit Singh Samra
Managing Director & CEO
DIN: 00477444

Aseem Mahajan
Chief Financial Officer

Date : May 09, 2024
Place : Jalandhar

Munish Jain
Director
DIN : 10132430

Dinesh Gupta
Director
DIN: 00475319

Amit Sharma
Company Secretary
Membership No.FCS10888

BASEL II PILLAR 3 DISCLOSURE

The Reserve Bank of India (RBI) vide its circular DBR.No.BP.BC.4/21.06.001/2015-16 dated July 01, 2015 on 'Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF)' requires banks to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio and net stable funding ratio. These disclosures have not been subjected to Statutory Audit or any Limited Review. These disclosures are available on Capital Small Finance Bank's website at https://www.capitalbank.co.in/investors/regulatory-disclosures

NOTES

Capital Small Finance Bank

Registered Office:
'Midas Corporate Park', 3rd Floor, 37, G.T. Road,
Jalandhar – 144001 (Punjab), India
Tel.:0181-505 1111, 505 2222, Fax: 0181-505 3333
E-mail: investorrelations@capitalbank.co.in